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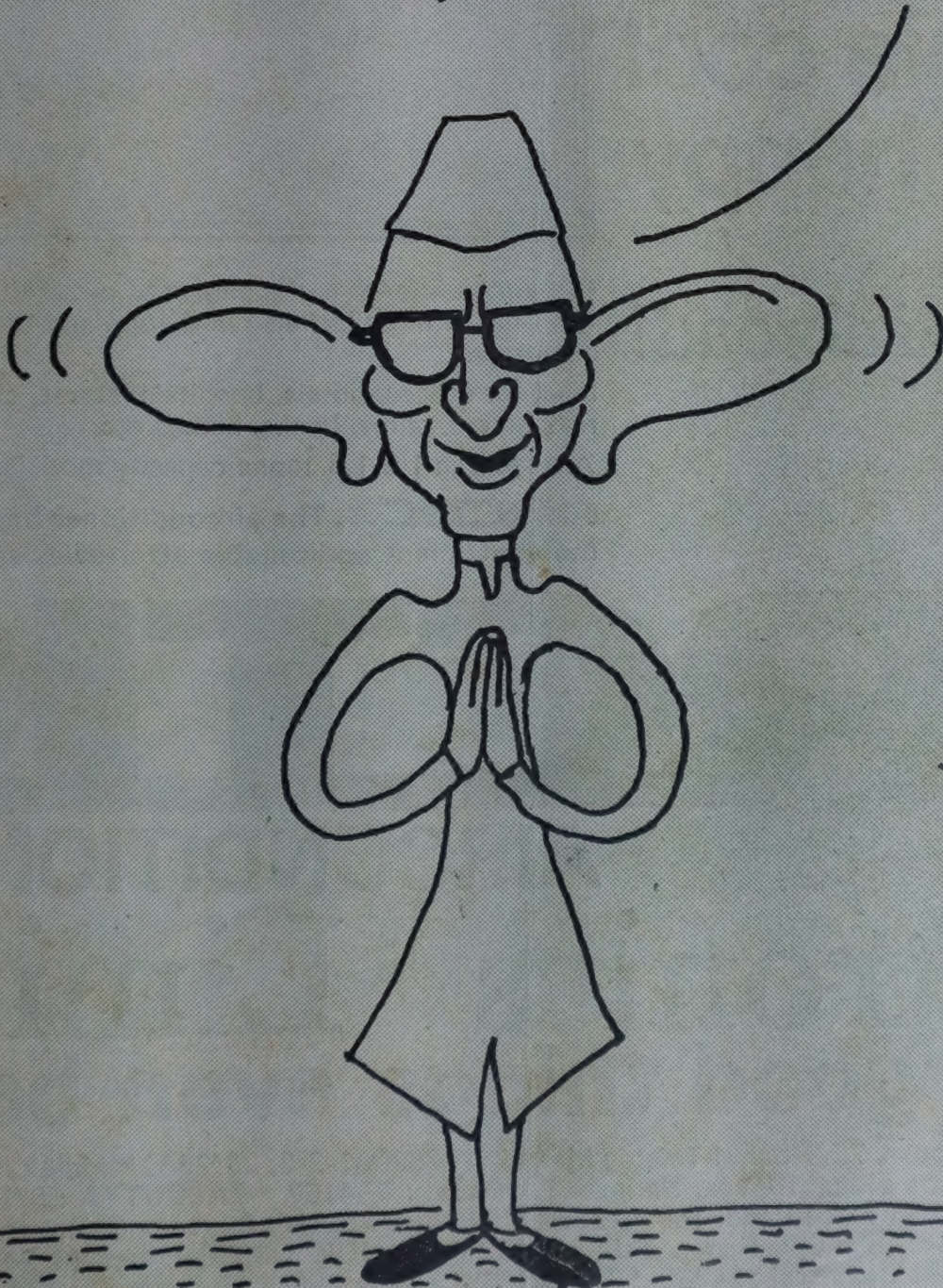
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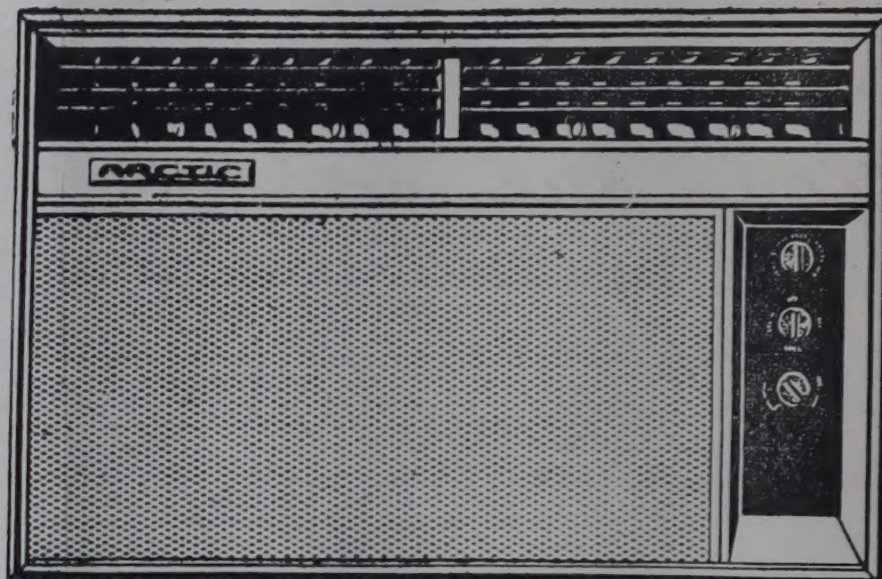


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VOL. 68 NO. 13 APRIL 1, 1977
Price Rupees Two

Leading Articles

Off to a Start, on One-Foot-and-a-Half 589

Water and Its Management 590

Export Obligations 591

Fertilisers : Guarding Against Crisis 593

Capital's Corridors 595

Point of View

Unilever : Managing an International Enterprise—David A. Orr 598

PVC Compound in the Small-Scale Sector—Ram Prakash 601

Window on the World

A Time of Change for Japanese Business—Chase Manhattan Bank 603

India and ASEAN : Scope for and Limits to Cooperation—A Special Correspondent 605

Moving Finger

607

Books Briefly

Incomes Policy in USSR —Academicus 608

Facts Only—S. P. Chopra 615

Books Received

615

Trade Winds

IDA Credit for W. Bengal Project; State Budgets (Maharashtra, Bihar, West Bengal, Uttar Pradesh, Andhra Pradesh, Assam, Haryana, Jammu and Kashmir, Sikkim); Names in the News 616-619

Company Affairs

Ceat Tyres; Ion Exchange; Panyam Cements; Audco; Hindustan Lever; Associated Bearing; International Combustion; Hoechst Dyes; Reckitt & Colman; Coromandel Fertilisers; News and Notes; New Issues; Capital and Bonus Issues; Dividend 620-622

Records and Statistics

President's Address to Parliament 623

Interim Union Budget : 1977-78 625

Interim Railway Budget : 1977-78 629

Off to a start, on one-foot-and-a-half

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11 APR 1977

LET US say at once what is right with the new government at the centre, for there is a lot that is right with it. The ruling complex, given reasonably efficient chemistry, promises to evolve into a stable compound. Consequently, the cabinet, which still has its 'i's to be dotted and its 't's crossed, should soon settle down to function as a cohesive team. In its prime minister, it has the right man in the right place at the right time. This is not the occasion to sing praises of Mr Morarji Desai, although there are enough people in the press and the country for whom it is necessary and may be profitable to do so. But it may properly be mentioned here that his record of public life and political career, his attributes of character and his experience of administration made him the immediately obvious choice for the office of prime minister in the circumstances in which a change of government had taken place. The country may trust itself to his leadership in the reasonable expectation that he will be true to himself and therefore to his responsibility to the public.

Counting our blessings further, we may rejoice in the fact that Mr Jagjivan Ram has found it possible to participate actively in the government by becoming a member of the cabinet. He has offered his services to the country and his cooperation to the prime minister in phrases which are generous and meaningful. Although recent political developments have established beyond doubt that no individual, however able or eminent, is indispensable to the nation, the new government would certainly have been the poorer if it were to do without Mr Jagjivan Ram's competence. As much is known about his great talent for administration as about his wide acceptability in the politics and public life of our country.

Broadly speaking, the new ruling party or alliance seems to have cooperated with the prime minister in giving the country a team of ministers which, collectively, can lay claim to a high degree of public respect and confidence. There is a reassuring sprinkling of ex-chief ministers endorsing a guarantee of continuity of practical wisdom in the running of the administration implicit in the presence of Mr Desai and Mr Jagjivan Ram in the cabinet. This is all the more welcome since the cabinet necessarily has had to accommodate a fair number of battle-scarred warriors whose acquaintance with the business of government has so far been only through the politics of confrontation. That the public will be disposed to give the benefit of doubt to the new government for some time to come seems likely enough since quite a few of the ministers have a mass following in their chosen fields of political activities or public service.

The Lok Sabha, again, has, for the first time in its history, a coherent and credible opposition party which is numerically respectable. (The 'north' should thank the 'south' for this.) Since the recent election was as much about the emergence of a viable two-party system in our democratic polity as about anything else, this promising advance towards the desired goal must not only be counted as a gain to the cause of good and clean administration, but also reckoned a boon to the new government itself. In a way, Mr Chavan was as logical a candidate for the office of the leader of the opposition as Mr Desai was for the prime ministership. Mr Chavan's colleagues in the Congress parliamentary party include many able men who should be able to keep the government on its toes, while contributing constructively and positively to the running of the nation's business.

All the same it cannot be said that the new government got off to a start on both of its two feet. The birth process, for instance, was messy and it is greatly to be regretted that it could not go through without the divine aid of Mr Jaya Prakash Narayan or the priestly offices of Acharya Kripalani. Both Mr Desai and Mr Jagjivan Ram are realists. We would apply this term to Mr Desai although many have always held that he is "rigid" or "impractical". In our view, Mr Desai is a realist in the truer and weightier sense of the term, for he would not sell short on his concept of what is right or good in the long term. To both Mr Jagjivan Ram and Mr Desai,

then, it should have been obvious all along that a Janta-CFD partnership in government was not an expendable luxury for either party. Had they acted at the outset on the recognition of this reality, it would have been easier for both of them to lay those foundations of mutual trust without which the new government could not be expected to give of its best. As it is, it remains for Mr Desai to make the most fruitful use of Mr Jagjivan Ram's services which the latter says he has unreservedly placed at the prime minister's disposal.

Meanwhile, the cabinet does look unfinished and, in places, odd. *The Statesman*, in well-chosen words, has described the Desai team as an interesting blend of experience and daring. Mr Desai, left to himself, would probably have gladly dispensed with some of the

"daring" part of it. However, given the nature or number of options open to him at this stage of the new government, he could perhaps have done worse. The public, of course, is entitled to assume that, in the weeks ahead, changes will be made in the composition of the cabinet or the allocation of portfolios. For, there are certainly some odd men out on the treasury benches now and some of them have been given ministerial assignments which appear to be even more odd in terms of the temperaments or the political or other past of the respective minister concerned. While cheerfully waving its arms and signalling to the new government to get a move on, the public may also keep its fingers crossed until the suitability of some of the individual ministers for the responsibilities of office is established.

from all indications it appeared that additional 2387 MW capacity would be added in the three-year period ending in 1978-79. Thus, the total generating capacity at the end of the current Plan period was expected to be a little more than 24,000 MW. The installed capacity for power had multiplied more than four times since 1960-61 indicating a rate of rise of 8.5 per cent (compound) in 18 years which was no mean achievement.

total flow

Some studies have been conducted in this country to determine the extent to which water can be harnessed for putting it to various uses. The total water potential through river flows is estimated at 1,645 million cu. m. per annum. Sub-surface water which can be pumped out for use is estimated to be about 255 billion cu. m. per year. But all this water—1,900 billion cu. m. per year—cannot be put to use fully. The most liberal estimate puts the total usable water at half this level. But it would not be possible to make this water available to the consumers throughout the year at a uniform rate. There is bound to be paucity of water in off-seasons and floods in the monsoons. It also implies considerable disparity in the availability of water from area to area.

Traditionally, big tanks have been used for storing water. But lately efforts have been made to develop coordinated plans for river basin developments, and also for close inter-linking of surface and ground water schemes. With rising population the need for water not only for domestic use but also for agricultural and industrial uses has increased tremendously. It is here that the technical skills of our engineers will be put to the most severe test. According to Dr N. Tata Rao, the CBIP has taken measures to encourage "engineers of requisite calibre" for making advancement in this technical field. Besides making available to them the necessary technical literature, the CBIP has instituted a number of awards, medals and certificates for meritorious research in this field.

Not unexpectedly, the various political parties have listed the importance of irrigation and power in their election manifestos. Says the Indian National

Water and its management

THE CENTRAL Board of Irrigation and Power (CBIP) of the government of India celebrated its golden jubilee in the first week of the current month. The United Nations World Water Conference met at Buenos Aires (Argentina) in the middle of March to draw the attention of the world to the importance of water, a vital resource for life. Both the organisations laid stress on the "integrated and efficient management of water."

That our country realised the significance of both irrigation and power nearly 50 years ago showed that our government had taken a long-term view of things and had taken measures to maximise the utilisation of water resources. The CBIP in close cooperation with the Central Water and Power Commission had endeavoured to work out plans of efficient water use. According to Dr N. Tata Rao, president of the CBIP, both these organisations had "prepared and submitted to the National Committee on Science and Technology a comprehensive R & D plan for water resources based on a detailed study of the existing capabilities in the country." The CBIP itself is an extremely competent organisation which brings together the

irrigation and power engineers of both the centre and the states for discussions on the most efficient utilisation of the resources available in this country.

It may be stated here that our country's five-year Plans had accorded a place of pride to irrigation and power. For instance, more than one-fourth of the public sector outlay for the fifth Plan period had been earmarked for irrigation, power and flood control. The total irrigation potential likely to be created during the fifth Plan period was estimated to be 13.1 million hectares out of which 5.8 million hectares would be under "major and medium" and 7.3 million hectares under "minor" irrigation. The Planning Commission had laid stress on the modernisation of certain irrigation schemes, particularly those which had been completed before the Plan periods.

The harnessing of water resources had moved in close association with the setting up of plants for the generation of power. In the fourth Plan period (1969-70—1973-74), an additional 4280 MW of generating capacity was created taking the total to 18,456 MW. Another 3524 MW capacity was added in 1974-75 and 1975-76 and

Congress manifesto: "We shall also place great stress on *minor irrigation*, intensive cultivation, command area development, improvement of dry land farming areas, soil conservation, assistance of drought-prone areas. . . . The minimum needs programme, especially for *drinking water* and maternal child health will be expanded." The Janata party has drawn the attention of the people to the need for making water available in each village. "Typically, as many as 116,000 villages do not have even the most elementary facilities of drinking water", says its manifesto. It continues: "Drinking water is a basic need. The party will formulate and execute a programme to provide every hamlet and village with an assured water supply within five to seven years." While it may not be possible to make water available in each and every remote village, a large number of them could certainly be provided with this facility. While the Congress for Democracy has not made any specific mention of water and irrigation in its manifesto, it has pledged to provide the poor with all necessities of life at reasonable cost. The same applies to all other smaller parties which have participated in the election to the Lok Sabha.

gloomy picture

The United Nations conference in Buenos Aires painted a gloomy picture of the world distribution of water resources. Since 70 per cent of the world population was not able to get safe and dependable drinking water, the health of this section of world population was impaired through water-borne diseases. Typhoid, dysentery, cholera and other diseases took a heavy toll of life every year.

The problem of drinking water has already taken an acute turn in the rural areas of the third world countries. The World Health Organisation has estimated that 90 per cent of the people in the rural areas of developing countries were using unsafe water all the time, and, therefore, improved water management was the key to improvement in human health in these countries, though it was also a vital necessity for irrigation, power, industry, transport and for cooking.

Though on a global scale, water availability is adequate on per head basis but there is obvious maldistribution. It has

been estimated that in the Congo Basin, the average rainfall is 150 cm to 175 cm every year which in some years rises to 500 cm but at the same time there are some parts of Latin America where the people have not seen a drop of rainfall for 20 years. It is this maldistribution in the supply of water which is the root cause of the misery for millions of people.

And then, in urban societies, there is the industrial pollution of water. In many countries, the discharge of polluted water into rivers, lakes etc is spoiling the availability of fresh water. This aspect of the question is being studied in depth by the United Nations Environment Programme. It is being brought home to societies in developing countries that careless and inefficient use of water is a crime against humanity. In developed countries, statutory obligation is forcing industrialists to process and purify all water before it is discharged into any river or lake.

Export obligations

THE IMPOSITION of export obligations might have had some justification in the past when industries had not become conscious of the urgency and importance of selling their goods abroad in order to augment the earnings of foreign exchange. But should these obligations be enforced in the present form, or made more stringent, when industries generally have been showing greater interest in export promotion, and the foreign exchange situation has also become more comfortable? This question has to be examined in the context of the guidelines which the government of India has recently laid down for fixing export obligations. Hitherto, they were imposed on industrial undertakings when they sought from the government licences for setting up new units, or for production of new articles or for substantial expansion of the existing units, or when they asked for clearance for financial or technical foreign collaboration, permission for importing plant and machinery, and registration with the Directorate General of Technical Development. Non-fulfilment of these obligations resulted in the forfeiture of the amount of bank guarantee

Not unexpectedly, the developing countries assembled at Buenos Aires asked the rich countries to reduce their expenditure on armament so as to free funds for schemes designed to make available drinking water to the poor of the world. The US representative at this conference was reported to have asked the less developed countries to reduce their birth rates; he avoided a reply to the plea for a reduction in US defence expenditure. The leading rich countries were united in not encouraging the establishment of another UN organisation for looking after the water-supply problem of the less developed countries. Whatever the resolutions which might be passed at the UN water conference, the problem of drinking water would remain with the developing countries unless, like our country, they initiated positive measures through their own efforts or through the assistance of other developing countries.

or the levy of penalties, according to the legal undertakings given in lieu of bank guarantee.

The new guidelines stipulate that the Capital Goods Committee and the Foreign Investment Bureau should refer to the Licensing Committee for its final decision all proposals for modification or increase of export obligations. Cases coming under Monopolies and Trade Practices Act should also go to the Licensing Committee. The obligations, it is stated, should be "reasonable" and they should be "strictly fulfilled". Ordinarily, they will be imposed for five years but may be renewed for a further period of five years at the option of the government. The guidelines also say that when industrial units, with good export performance, approach the government for rehabilitation and modernisation, the export obligation should take into consideration their past export record achieved on a voluntary basis.

It is not clear why the government is keen to enforce export obligations when there has been a great deal of buoyancy

in exports as a result of voluntary efforts by industry. In 1975-76, exports reached a record level of Rs 3942 crores. As a percentage of the gross national product, exports amounted to over 6 per cent. The rate of growth of exports in that year was also higher than the world average. Between 1971-72 and 1975-76, our exports are estimated to have increased by 14 per cent. The Commerce ministry has said that the achievement of a growth rate in exports of 16 per cent in 1975-76 was significant in the context of the world recession in which international trade recorded an increase of only 4 per cent in value during 1975.

realistic target

The Commerce ministry has fixed an export target of Rs 6,000 crores for 1977-78 against the target of Rs 4,500 crores for the preceding year, representing a rise of 33 per cent. The ministry seems to think that the higher target will not be difficult to achieve in view of the economic recovery of many developed countries and the more energetic efforts being made by our industries to sell their goods abroad. Several industries are expected to contribute more substantially to export earnings especially engineering goods, iron and steel, leather, textiles and marine products. The simplification of procedures for claiming incentives and the liberalisation of foreign exchange for business visits are also expected to give a further fillip to exports. It is, of course, not suggested that our industries have become fully aware of the vital role of exports in the country's economy. But it should be possible to secure more encouraging and enduring results by voluntary efforts than by resorting to compulsion in various forms.

The fact that our foreign exchange reserves now exceed Rs 2600 crores and are likely to go up in the coming months, should also induce New Delhi to exercise caution in enforcing compulsory export obligations. Mr L.K. Jha has said that "the rising trend in our reserves is not a flash in the pan" and that "there are good reasons to believe that the factors responsible for it, internal and external, are of a durable character". He has also observed that our success in checking inflation has

imparted "a new strength to our export effort".

The British Industrial Cooperation Mission, which recently visited India, has also given high praise to our export efforts. In its report it has said, "Ours was neither a selling nor a buying mission, but we must say that we were the target for a very hard sell by our Indian friends everywhere we went. This Indian selling effort was in many instances directed towards exports, in which field Indian industry under the stimulation of the Indian government has, for many years, conducted a vigorous campaign which now at last is beginning to show worthwhile results. Although export earnings are not the only or even the main factor in the improvement in India's foreign exchange balances, they have, nevertheless, contributed markedly and the transformation of an annual trade deficit of Rs 1200 crores in 1974-75 into a small surplus illustrates the progress that has been made. India is now a successful exporter and her efforts in this direction will be continued". Therefore, the government would do well to reconsider its approach to export promotion on a compulsory basis.

If, however, the government is to continue these obligations, they should be fixed and enforced in a realistic manner

so as not to cause hardship to industrial units. It should be remembered that new units have to incur much higher capital costs as compared to the old ones and therefore, it will not be fair to impose stiff conditions on the former in regard to export. Trading conditions in the world sometimes change suddenly and they have an adverse effect on our export prospects. The strict application of export obligations therefore is likely to scare away investors, Indian and foreign. Moreover, if industrial units contribute substantially to import substitution, should they not be exempt from export obligation? India has made rapid progress in import substitution over a wide range of industries including various kinds of industrial machinery, light engineering goods and consumer goods. Since such industries help to save foreign exchange, it is only fair that they should not be asked to export on a compulsory basis.

Studies have revealed that in many sectors of the economy, there is large idle capacity which can be effectively utilised for export. The annual production base in the organised engineering industry is of the order of over Rs 4000 crores and in the small scale sector it is about Rs 1000 crores. The union ministry of Industry has estimated that by pressing all the idle capacity into operation, the

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APRIL 4, 1947

The industry emerged out of the war in a strong position, largely due to the advantages of the block purchase scheme but the termination of this scheme in 1946, the difficulties of transport and shortage of essential supplies and large-scale labour troubles which remained in that year have mitigated the chances of continued prosperity. Coal shortage is the greatest limiting factor now. A demand for 120,000 tons of coal from Bengal and Bihar collieries was made. But even when coal has been allotted, the acute shortage of wagons and the pressing claims of other consumers has rendered it difficult to obtain deliveries. So too with regard to fertiliser, the minimum demand for which has been put by the

industry at 21,000 tons for N.E. India. Something even less than this quantity has been received this year due to the main reason of reduced allotment of fertilizers to India by the Combined Food Board as well as due to the prior of supplies accorded to the essential food crops by the Government of India. The position in the industry is however held to be critical in so far as the normal requirements before the war were put at 35,000 tons a year. The supply of chemicals also was revealed to be unsatisfactory. There has been a cut of approximately 50 to 75 per cent in the import quota of shocks and battons respectively since August 1946, with a view to encouraging the indigenous tea chest industry.

export target of Rs 1000 crores for engineering goods can be achieved by 1980-81 without undertaking major additional investment. Besides, there is also considerable scope for augmenting the earnings of foreign exchange by encourag-

ing the export of services and by the vigorous development of tourism. The government therefore should examine whether it is really necessary to stimulate export by compelling industries to sell abroad.

Fertilisers : guarding against crisis

THE PROBLEMS of marketing indigenously produced and imported fertilisers and the financial difficulties of newly established units deserve to be closely studied if a critical situation is not to arise in the coming years. The absence of a careful policy for regulating imports and distribution and the delay in taking decisions about the fixation of differential prices for new units apart from specific reliefs have had a demoralising and devitalising effect on the new entrants. Even the older units were seriously affected by the heavy volume in imports by 1975-76 and with high prices and unfavourable weather conditions in some parts of the country, there was a heavy accumulation of stocks with many units. The drastic pruning of imports in 1976-77 and a sharp increase in consumption, following a significant reduction in selling prices for nitrogenous and complex fertilizers have resulted in the emergence of more profitable trading conditions, though keen competition for available business and unplanned marketing of imported nutrients have created unusual problems for indigenous producers, particularly in the southern region.

the output

The output of fertilisers in the whole country in 1975-76 was 1.51 million tonnes of nitrogen and 3.19 lakh tonnes of P_2O_5 . There were imports of 9.51 lakh tonnes of nitrogen and 3.26 lakh tonnes of P_2O_5 , making for a total availability of 2.46 million tonnes of nitrogen and 6.3 lakh tonnes of P_2O_5 . The actual consumption was 2.03 million tonnes of nitrogen and 4.53 lakh tonnes of P_2O_5 . There were therefore stocks of over four

months' consumption and more taking into account earlier stocks.

The anxiety to dispose of imported supplies in the shortest period possible even in areas where a large number of factories were located has seriously affected the fortunes of new and old producers and also the distributing agencies in private and co-operative sectors. The central government has, no doubt, been adopting a helpful policy in subsidising losses when sizable reductions in selling prices were effected early in 1976.

operational problems

However, there were operational problems and the latest cut in the prices for nitrogenous and complex fertilizers has been effected in anticipation of a lowering of the cost of imported raw materials. The situation has now got more clarified and with a using up of imported fertilisers to a considerable extent and less abnormal stock, the outlook for indigenous producers in 1977-78 has improved considerably.

The fertilizer units in the southern region comprising Andhra Pradesh, Goa, Karnataka, Tamil Nadu and Kerala however may encounter serious problems if a better understanding is not reached in regard to the marketing of imported fertilisers and fixation of prices for the products of new entrants like Zuari Agro Chemicals, Southern Petro Chemical Industries Corporation, Mangalore Chemicals and the Cochin Division of FACT. The output of these units in 1975-76 was only 4.14 lakh tonnes of nitrogen and 1.38 lakh tonnes of P_2O_5 against a capacity of 1.6 million tonnes of nitrogen and 3.55 lakh tonnes of P_2O_5 . The low operating ratio in

respect of nitrogenous fertilizer was due to the fact that the Goa plant remained shut down for quite some time and the Mangalore unit had not commenced full commercial production. Cochin plant is still having its operational problems while SPIC was stepping its output gradually though the average operating ratio was only 45 per cent. The requirements of the region in terms of nitrogen were much higher at 6.41 lakh tonnes and 1.59 lakh tonnes of P_2O_5 . However with the selling of a part of the output by some indigenous producers in the western and northern zones and the marketing of imported fertilizers on a large scale through co-operative societies the indigenous producers in the southern region could not market fully even their low output.

higher output

In 1977-78 new difficulties may be experienced if early decisions are not taken for avoiding sales of imported fertilizers in this region, particularly in Tamil Nadu and Karnataka. It is expected that different units will be able to achieve an operating ratio of over 70 per cent and the output of nitrogenous fertilizer alone may be higher at 8 lakh tonnes which will be the full requirement of the region even on a most optimistic computation. With favourable condition it is even likely that the output will be higher at 9 lakh tonnes nitrogen throwing up even a regional surplus. It will therefore be necessary to direct the marketing of imported fertilisers in deficit regions and prevent unnecessary haulage. It has even to be examined at this stage whether a central organisation can be created on a voluntary basis to regulate the movement of fertilisers and fix quotas of indigenous and imported products not only on a regional but statewide basis.

This aspect of distribution is important as Tamil Nadu has large surplus with efficient functioning of the public sector units in Manali and the prospect of SPIC being in a position to step up its output of urea even to 90 per cent of the capacity following the rectification of the defect in the ammonia plant arising out of the inefficient functioning of heat exchanger. The new equipment ordered from Japan is likely to

be installed by the middle of this year and thereafter the urea plant can even function at 100 per cent capacity, with an annual output of 5 lakh tonnes. The Mangalore and Goa plants have overcome their problems, while the Cochin unit of FACT is expected to have an operating ratio of 80 per cent in 1977-78. The Neyveli plant has been functioning in a better way and after the switch over to fuel oil as feedstock the capacity can be expected to be fully used. Coromandel Fertiliser will have the benefit of expanded facilities in a great measure in 1977-78.

quick decisions needed

While the problems relating to distribution of imported fertilisers have to be carefully sorted out and unnecessary freight charges are avoided, quick decisions have also to be taken about the fixation of retention prices and grant of reliefs for the new units. The chairman of Zuari Agro Chemicals has been representing to the central government that Goa should be a pricing point for the purpose of naphtha delivery. Mangalore also has similar problems while SPIC has been seriously affected not only by relatively higher naphtha cost but also the sharp rise in the cost of fuel oil. The decision to use fuel oil in place of naphtha for heating purposes was taken in earlier years because this product was cheaper than naphtha in the then prevailing conditions. It has however turned out subsequently that the cost of this input alone will involve an extra Rs 3 crores annually when the plant is in full operation. There is also the loss on account of a greater lead for marketing purposes while the higher capital outlay and heavy interest charges are resulting in the generation of losses even with an improvement in operating efficiency.

It is estimated that there will be an increase in production to 3.5 lakh tonnes of urea in the year ending June 30, 1977. There will also be an output of 30,000 tonnes of complex fertilisers with the new units in operation. The output of urea in 1975-76 was 2.3 lakh tonnes and the whole quantity could not be sold as the turnover had a value of only Rs 23 crores. The estimate of sales in

1976-77 is much higher at Rs 70 crores. But the marketing expenses will be heavy as large quantities will have to be sold in Andhra Pradesh and Karnataka and even in farther regions. Because of costlier inputs, heavy depreciation and interest charges and heavy marketing expenses the company will not be even avoiding a cash loss though it will be much less than in 1975-76. But the fact remains that the depreciation charges could not be recovered. It may be said that the working results would make better showing but for the difficulties in maintaining ammonia output at a high level. However it is stated that even with an operating ratio of over 90 per cent, depreciation cannot be fully earned not to speak of securing reasonable return on capital employed.

The same problems are encountered by Mangalore Chemicals, Cochin Fertilisers, Zuari Agro Chemicals and it will be necessary to reduce the cost of inputs

appropriately, increase retention price and grant other reliefs in order to improve the viability of working of the units. The new entrants coming into the picture in 1977-78 and subsequent years will have even more acute problems. It has been emphasised that the capital outlay for similar capacity will be double the cost of even Mangalore and SPIC units which are now considered high-cost plants. It has therefore become necessary, as stated in the beginning, to adopt a scientific approach and take proper decision so that the industry will not have any problem when it attains a production capacity of six million tonnes of nitrogen by 1977-78. The problems cited above are in no sense peculiar to the fertiliser industry. Indeed, the new Finance Minister will have to find a satisfactory solution for the conundrums posed by rising capital cost when he presents his budget for 1977-78 to the new Parliament, later this year.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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CAPITAL'S CORRIDORS

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New government's programmes • Interim central and railway budgets • The new cabinet

IN ITS first policy statement, contained in the inaugural address of the Acting President, Mr B.D. Jatti, to the joint session of the reconstituted Lok Sabha and the Rajya Sabha, the new government, headed by Mr Morarji Desai, declared early this week that the most urgent task before the government was to remove curbs on the fundamental freedoms and the civil rights of the people, to restore the rule of law and the right of free expression to the press. The government announced on the eve of the joint session that the external emergency proclaimed in 1971 had also been revoked. The Acting President observed in his address that his government would take the following measures to achieve the above-mentioned task :

(i) A thorough review would be undertaken of the Maintenance of Internal Security Act with a view to repealing it and examining whether the existing laws needed further strengthening to deal with economic offences and security of the country without denying to the people the right of approach to court;

anti-national activities

(ii) Legislation would be introduced to ensure that no political or social organisation was banned except on adequate grounds and after an independent judicial enquiry;

(iii) The Prevention of Publication of Objectionable Matters Act would be repealed. Immunity which the press enjoyed in reporting the proceedings of the legislatures would be restored; and

(iv) The amendment to the Representation of Peoples Act, which redefined corrupt practices and afforded protection to electoral offences by certain individuals

by placing them beyond the scrutiny of the courts, would be repealed.

The Acting President further stated that during the course of the year a comprehensive measure would be placed before Parliament to amend the Constitution to restore the balance between the people and Parliament, Parliament and the judiciary, the judiciary and the executive, the states and the centre, the citizen and the government, that the founding fathers of the Constitution had worked out. This would include provisions to amend article 352 to prevent the abuse of the powers to declare emergency and of the relevant articles to ensure that President's rule was imposed strictly in accordance with the objectives mentioned in the Constitution and not for extraneous purposes.

freedom of expression

The Acting President also announced that his government would take steps to restore to the media of publicity and information their due place in a democracy. Steps would be taken to ensure that All India Radio, Doordarshan, the films division and other government media functioned in a fair and objective manner.

Reflecting the promises made by the Janta Party in its election manifesto, the Acting President stated in his inaugural address that in the economic sphere, the government was pledged to the removal of destitution within a definite time-frame of 10 years. The government would follow an employment-oriented strategy in which primacy would be given to the development of agriculture, agro-industries, small and cottage industries, specially in rural areas. High priority

would also be given to the provision of minimum needs in the rural areas and to integrated rural development. To the extent possible, the fifth five-year Plan (which comes to a close in 1978-79) would be reviewed. The planning process would be re-vitalised and the work on the sixth five-year Plan would be taken up without delay. The government would announce the details of the economic programme which it proposed to follow at the time of the presentation of the final budget for 1977-78 in a few weeks.

The Acting President pertinently noted in his address that nothing had roused public anger and resentment so much as the manner in which the family planning programme was implemented last year in several parts of the country. This, he felt, had caused a major setback to the programme which was vital for the welfare of the nation. He indicated that his government would pursue family planning vigorously but as a wholly voluntary programme and as an integral part of a comprehensive policy covering education, health, maternity and childcare, family welfare, women's rights and nutrition.

friendship with all

Referring to external relations, the Acting President stressed that his government would honour all the commitments made by the previous government. It stood for friendship with all the neighbouring countries and other nations of the world on the basis of equality and reciprocity. It would follow a path of genuine non-alignment.

His government, the Acting President further stated, would also give very special attention to the strengthening of ties and economic and technical cooperation with all developing nations and would be hosting in early April a meeting of the non-aligned coordinating bureau.

The Acting President expressed satisfaction at the democratic process taking deep roots in the country. The people, he observed, had given a clear verdict in favour of individual freedom, democracy and the rule of law and against executive arbitrariness, the emergence of a personality cult and extra-constitutional centres of power. The election, he further stated, marked an important milestone in the

evolution of our democratic polity into a healthy two-party system.)

Soon after the inaugural address of the Acting President to the two Houses, the new Finance minister, Mr H. M. Patel, and the new minister for Railways, Mr Madhu Dandavate, presented their interim budgets for 1977-78.

Mr Patel revealed that the provisions made in the next year's budget would entail an overall deficit of Rs 1,432 crores. Taking credit for special borrowings to the order of Rs 800 crores against drawal of foreign exchange reserves, on the assumption that such a borrowing would be non-inflationary as it was covered by increased imports of goods, he put the net deficit for the year at Rs 632 crores. The deficit during the current financial year was estimated by Mr Patel at around Rs 425 crores, as against the budgeted deficit of Rs 378 crores.

The total receipts at the current rates of taxation during 1977-78, Mr Patel indicated, would go to Rs 14,910 crores, as compared with Rs 13,759 crores in the revised estimate for 1976-77. The expenditure for the ensuing year would be Rs 15,542 crores, as against the current year's revised estimate of Rs 14,184 crores. This position, he said, had resulted from an increase in both non-Plan and Plan expenditures.

plan outlay

Mr Patel disclosed that the total Plan outlay for 1977-78 would be Rs 9,953 crores, as compared with Rs 7,852 crores in the budget estimates for 1976-77. The central sector of the Plan involved an outlay of Rs 5,053 crores and would make a draft on the central budget to the tune of Rs 4,096 crores. This compared with the 1976-77 outlay of Rs 4,090 crores and a budgetary support of Rs 3,347 crores at the budget stage. The central assistance to states and union territories and for various programmes concerning the hill and tribal areas, the North-Eastern Council and Rural Electrification Corporation as well as the Andhra Six-Point Formula, Mr Patel said, amounted to Rs 1,692 crores. The corresponding figure for 1976-77 was Rs 1,412 crores.

The Finance minister observed that the

interim budget and the demands for grants were prepared on the basis of the directions given by the previous government. These, therefore, did not reflect the philosophy, policies and programmes of the new government. The full budget to be presented in the next few weeks would reflect the new government's programmes and policies. He expressed government's firm resolve to review the fifth Plan.

The government, Mr Patel stressed, would work to reverse the rising trend in prices and to usher in a period of reasonable price stability. It viewed deficit financing with concern in the context of the 12.5 per cent rise in the wholesale prices index since March 1976. The government was of the firm view that financing of public expenditure in a manner which would generate inflationary pressures should be eschewed.

emphasis on austerity

The Finance minister revealed that he had directed that no new schemes should be taken up by the ministries at the centre and the public sector undertakings and no major commitments made till the government had completed a review of the fifth Plan. All ministries and public sector agencies, he added, would be asked to observe the utmost economy in expenditure, keeping in view the present government's emphasis on austerity and avoidance of all forms of ostentation.

The following are the highlights of the interim budget of the central government:

(i) Receipts next year, net of states' share of taxes and duties, are estimated at Rs 14,910 crores, and expenditure at Rs 15,542 crores, leaving a deficit of Rs 632 crores.

(ii) Gross tax revenue is estimated at Rs 8,720 crores. The states' share of taxes and duties will be Rs 1,788 crores.

(iii) The net tax revenue of the central government will be Rs 6,932 crores, comprising union excise duties Rs 3,453 crores, customs Rs 1,587 crores, corporation tax Rs 1,243 crores, income tax Rs 327 crores, and other taxes and duties Rs 322 crores.

(iv) Non-tax revenue, including interest and dividend receipts, will be Rs 2,347 crores. Market loans are estimated at Rs 890 crores, external loans at Rs 894

crores and loan repayments Rs 1,700 crores. Small savings and provident fund collections together are placed at Rs 62 crores. Other capital receipts are estimated at Rs 1,517 crores.

development outlay

(vi) The total estimated expenditure of Rs 15,542 crores comprises development outlay—Rs 8,920 crores (57 per cent), defence outlay—Rs 2,808 crores, interest payments—Rs 1,600 crores, statutory and other transfers to state and union territory governments—Rs 781 crores, and other expenditure—Rs 1,433 crores. The development outlay of Rs 8,920 crores comprises Rs 5,508 crores on economic services, Rs 867 crores on social and community services and Rs 2,536 crores on assistance to state/union territory governments for development purposes as also Rs 9 crores of Plan expenditure included under general services.

(vii) Resources transferred to state and union territory governments include Rs 1,788 crores of states' share of taxes and duties, Rs 2,536 crores for development purposes and Rs 781 crores of statutory and other grants and loans.

(viii) Plan outlay of Rs 5,788 crores inclusive of central plan outlay (Rs 4,090 crores), central assistance for state plan (Rs 1,525 crores) and union territory Plan provision (Rs 167 crores). The central Plan provision includes substantial allocations to agriculture (Rs 495 crores), industry and minerals (Rs 2,058 crores), water and power development (Rs 24 crores, including Rs 56 crores for the Rural Electrification Corporation programmes in the state sector), transport and communications (Rs 702 crores) and social and community services (Rs 59 crores).

It remains to be seen how much economy the Finance minister would be able to effect in his regular budget for the ensuing year. Since deficit financing on any significant scale can be ruled out, taxation on a sizable scale on a selective basis may have to be resorted to if the Plan expenditure is not to be cut.

The interim railway budget for 1977-78 presented by Mr Madhu Dandavate revealed a surplus of Rs 26.45 crores,

against the revised surplus of Rs 35.67 crores for the current financial year and the 1976-77 budgeted surplus of Rs 8.98 crores.

The gross traffic receipts at the existing passenger fares and freight rates on the prospects of the passenger traffic growing in 1977-78 by six per cent and the originating revenue earning freight traffic going up to 217 million tonnes—11 million tonnes more than anticipated in the current year—are estimated at Rs 2,091.44 crores.

working expenses

The estimate of working expenses for the year has been placed at Rs 1,635.75 crores. These expenses take into account the effect of annual increments to the staff and also provide for full year's effect in 1977-78 of the implementation of Miabhoy Award, removal of anomalies arising out of recommendations of the third Pay Commission and upgradation of certain non-gazetted posts for improving their career prospects. Increased provision has also been made for maintenance of track, rolling stock and other equipment for keeping them in good fettle and traffic worthy. Provision has also been made for additional fuel requirement to meet the projected higher level of traffic.

Besides, appropriation to the depreciation reserve fund has been raised to Rs 140 crores in keeping with the proposals accepted by the Railway Convention Committee in their deliberations. The contribution to pension fund has also been enhanced to Rs 40 crores to meet the anticipated higher withdrawals. Expenditure on open line works chargeable to revenue and miscellaneous tractions is expected to be Rs 23.67 crores. Dividend liability to general revenues for 1977-78, based on arrangements approved by Parliament for 1976-77, is estimated at Rs 225.56 crores.

The revised estimates for the current year put the gross traffic receipts at Rs 1,987.55 crores—an increase of about Rs 32 crores over the original budget estimate. There was a saving of about

Rs 3 crores in expenses this year, which are now put at Rs 1,548.23 crores. The railways, thus, are expected to close the current financial year with a net surplus of Rs 35.67 crores, against the modest surplus of Rs 8.98 crores anticipated in the budget.

The final accounts for the year 1975-76 indicate a deficit of Rs 61.11 crores or an improvement of Rs 1.7 crore over what was expected at the revised estimate stage. The indebtedness of the railways to the central exchequer is expected to go down at the end of 1977-78 to Rs 477.18 crores.

Mr Dandavate stated that railways had been allotted Rs 503.8 crores for their works, machinery and rolling stock programme for 1977-78. This amount included Rs 2.8 crores to meet the working capital for manufacture of rolling stock for export, Rs 12 crores for investment in state road transport undertakings, Rs 10 crores for the metropolitan transport projects and one crore rupees for investment in the Indian Railways Construction Company Ltd.

In the annual Plan for 1977-78, the share of new lines and restoration of dismantled lines was Rs 23.58 crores. Of this, Rs 21.68 crores were earmarked for the 16 project-oriented lines and Rs 1.9 crores for 10 developmental lines. The

allocation for electrification projects is of the order of Rs 19 crores.

Mr Dandavate has not yet proposed any changes in the passenger fares and freight rates. If he intends to do so, he will do it in the regular railway budget to be presented in the next few weeks. He, however, announced that all those employees who were dismissed or suspended during the 1974 railway strike would be reinstated unconditionally.

(See details of the interim central and railway budgets in the Records and Statistics section.)

*

*

The new government under the leadership of Mr Morarji Desai was partly sworn in on Saturday last and partly on Monday. The new members of Council of Ministers with their portfolios indicated against them are given below.

No minister has yet been appointed for the ministries of Transport and Shipping and Planning.

The council of ministers is likely to be expanded to its full strength of about 42 members including junior ministers, in the next few days. Meanwhile the deputy chairman of the Planning Commission, Mr P.N. Haksar, has tendered his resignation. The Planning Commission is expected to be reconstituted soon.

Council of Ministers

1. Mr Morarji Desai	Prime Minister
2. Mr Charan Singh	Home Affairs
3. Mr Jagjivan Ram	Defence
4. Mr L.K. Advani	Information and Broadcasting
5. Mr Prakash Singh Badal	Agriculture and Irrigation
6. Mr H.N. Bahuguna	Chemicals, Petroleum and Fertilisers
7. Mr Sikandar Bakht	Works and Housing
8. Mr Shanti Bhushan	Law and Company Affairs
9. Dr Pratap Chandra Chunder	Education and Social Welfare
10. Mr Madhu Dandavate	Railways
11. Mr Mohan Dharia	Commerce, Civil Supplies and Cooperation
12. Mr George Fernandes	Communications
13. Mr P.L. Kaushik	Tourism and Civil Aviation
14. Mr H.M. Patel	Finance
15. Mr B. Patnaik	Steel and Mines
16. Mr Raj Narain	Health and Family Planning
17. Mr P. Ramachandran	Energy
18. Mr Atal Behari Vajpayee	External Affairs
19. Mr Brijlal Varma	Industries
20. Mr Ravindra Varma	Parliamentary Affairs and Labour

Unilever: managing an international enterprise

David A. Orr

This is the speech delivered by Mr Orr, who is chairman, Unilever Ltd., at the Bombay Management Association, recently, describing the functioning of his company. Mr Orr believes the influence of the multinational company to be for good because, according to him, it breeds locally professional management of international standards, gives access to international knowhow in technology and contributes to investment capital of the host country.

TWENTY YEARS ago I landed at Bombay, a young and far from experienced manager. Like several other managers in Unilever, I shall always be indebted to India for the valuable experience I gained here which has stood me in good stead in my later career involving the management of an international enterprise.

I am glad that this evening I have an opportunity to share with you some thoughts on managing Unilever which is a truly international enterprise.

Before I tell you about its management, let me outline briefly for you what Unilever is. Unilever is a group of 500 companies doing business in more than 75 countries and employing over 300,000 people. Our turnover in 1976 was £8,700 million or Rs 13,000 crores and operating profit was £640 million or Rs 960 crores.

There are businesses bigger than Unilever, there are businesses just as widespread, but it is doubtful if there are any that make and sell such a diverse range of products. Between them the operating companies of Unilever supply a wider variety of goods, in more countries, to more people than any other manufacturing organisation in the world today.

parent companies

Unilever has two parent companies, Unilever Limited in London and Unilever NV in Rotterdam, but apart from that legal construction the whole concern is managed as one. Each Unilever director is on the board of both parent companies which are further linked by agreements, one of which equalises the dividends on ordinary capital.

Practically all the capital of Unilever Ltd and Unilever NV is owned by mem-

bers of the investing public in different parts of the world. In turn, one or other of the parent companies owns all the capital in most of the subsidiaries and a majority or a large part of it in the rest. This means that the parent boards have the total resources of the group at their disposal and, allowing for differences in the various countries, they can employ them in the interest of the business as a whole.

Through its operating companies whose names and products are household words in the countries where they have been established for many years, Unilever does

POINT OF VIEW

business in or with nearly every country of the world. These vary from the United States, with the highest standard of living in the world, to remote territories which can hardly be said yet to have a standard of living at all.

The Unilever board is a large one with over twenty members all of whom are executive directors with specific responsibilities. The job of the board is to draw up overall objectives, agree the growth we want, decide where that growth is most likely to be achieved, and how it should be financed. And then to allocate the scarce resources of people and money to achieve the objectives.

The board is too large a body for effective action day to day. It therefore appoints from amongst its members a

small committee to co-ordinate the whole. Important decisions are made by this special committee. This is the highest body within Unilever and consists of three people—the chairman of Unilever NV, the vice-chairman of Unilever Limited and myself. The decisions we make follow detailed consultation with the specialised advisory departments, the product groups and the regional managements. The essential feature of this process is the constant dialogue between the centre and the operating countries.

management echelons

The working out of detailed plans and the methods by which they are carried into effect is the concern of three main management echelons.

First of all there is the Regional Management—directors and senior managers responsible for policy and administration within geographically defined areas.

In Europe there are two regional directors with national managements reporting to them.

The overseas committee deals with countries outside Europe and North America, the export businesses and oil plantations interests.

Then we have the United Africa Company International—a very diverse organisation operating a number of businesses often with technical partners, mainly in Africa, parts of Australasia and Europe. It is operated as a separate entity within Unilever.

Then we have a system of product co-ordinations to look after our specialised knowledge and formulate policy in the different industrial groups. Each group of products is headed by a coordinator who is one of the main board directors supported by a small team of specialists. Through the exchange of information and experience the scientific, technological and commercial knowhow relating to the relevant products is collected within the

ordination and is then available to all companies within Unilever. Where appropriate, experience gained in one country is offered in other countries.

The product groupings are edible fats and dairy products, sundry foods and drinks, animal feeds, chemical products and packaging, detergents and toilet preparations, plantations, transport and other interests.

There is a good deal more logic in this collection of groups than might at first seem apparent. For instance, the oil bearing nut and fruit yield raw materials for both soapmaking and margarine. Treating the residual fatty acids led us into other chemical activities. The residual meal brought us into cattlefeed and so on.

Then we have those departments which give specialised advice and services to our companies around the world—finance, personnel, research and so on. These provide a range of specialised services which the units could not afford to provide themselves. They also add to the cohesion of Unilever by ensuring uniform and high standards of corporate practice.

Diverse as our operations are they have their roots in the consumer trade. Most of our products are bought everyday by housewives all over the world. In that sense we are close to the market place and the prime objective is to provide the consumer with the goods she wants at a price she can afford.

minimum control

Within the framework of agreed policy Unilever operating units, allowing for difference in each country, are as far as possible free to carry out their operations with a minimum of supervision and control.

The board through the special committee directs the course of the business by three main controls.

- (a) Approval of annual operating plans and review of five year plans.
- (b) Review of capital expenditure.
- (c) Selection and pay of top management.

To illustrate how this organisation functions, let me tell you something about

the relationship between Hindustan Lever and Unilever.

We have a five year plan which is prepared by Hindustan Lever and discussed and agreed with the centre. This is mainly to agree on the future direction of the business. This is a strategic plan entirely formulated by Hindustan Lever. Different parts of Unilever attempt to help the company to choose the optimum set of options.

Then we have an annual operating plan which is again formulated in India. It sets out the objectives in the year ahead in the light of local operations and conditions.

The other reviews we have are about (a) major capital investments which arise from the five year plan or annual plan and (b) the career development of senior management near about the board level.

invisible web

All these discussions are conducted among us as an international group of professional managers and not as shareholders dealing with a company.

This has been made possible because of the understanding which has been acquired by people in London. Most members of the Unilever board have visited India and some several times. Some of them like me have worked here. And many of the senior managers in India have similar knowledge of their colleagues in London. Unilever's world is enclosed in an invisible web spun from long-standing friendships and mutual respect. It is this understanding that holds our diverse enterprise together and makes the successful management of an international enterprise possible.

When the chairman in Thailand faces a tricky technical problem, the man he contacts in London will probably know him reasonably well. They may have worked together in head office or say in the Philippines, or have met on a management course, or at one of the conferences we hold for senior management to thrash out major problems. They will hold an identity of outlook which cuts across race and nationality. Like our enterprise, our management is truly international.

I have given you some idea of the orga-

nisation and how it works. Let me now tell you something about the constraints under which a multinational organisation has to function. It cannot be denied that the activities of multinational companies are often viewed with concern by those who feel that because of their very growth and size they must carry undue power. I believe that these doubts are misplaced; that the multinational has no particular freedom that cannot readily be curtailed by a local government and that any influence we multinationals have should be an influence for good.

some constraints

We are undoubtedly constrained by the pressures from host governments. These arise from economic and political factors which vary from country to country. Until a country reaches a stage where it has its own multinationals others are viewed with some awe and suspicion.

Secondly there are pressures from international agencies. So far no fewer than 13 UN agencies have proposed codes of conduct to govern the activities of multinational companies. To some extent this is a reflection of the general prejudice against large and profitable enterprises.

Then of course there are the more serious constraints of resources and of the span of control. By resources, I mean not only capital but, more importantly, good management.

Now how do we cope with these constraints?

The first step is to ensure that our business is conducted with integrity throughout the world. Without that no amount of professionalism or competence can ensure the successful survival of a large business.

Secondly we try to harmonise our business to the interests of the various countries that we operate in. We make a special effort to find ways of adapting our activities to be in with the plans and policies of host governments, whilst still safeguarding the viability of the overall operation in the country—and indeed using this harmonisation as a means of strengthening the viability. For instance, in India Hindustan Lever is undertaking a major investment in heavy chemicals which is not our traditional business but

conforms to the areas of activity which the government of India would like to see companies like ours to be engaged in.

Thirdly, we give a lot of importance to development of local management. We believe in local autonomy. The companies operate under their own names and market their own brands. Unilever as such markets nothing. We give as much responsibility as we can to the people actually operating our companies. We expect them to take responsibility, to be responsive to the needs of the local community, to operate with regard to the continuing health of the business and the interests of employees, customers and the community at large.

development of ingenuity

It is only by the centre placing confidence in the people running the various companies that one develops that sense of ingenuity and initiative so essential to a successful business. Our greatest strength is that we probably have the most effective management talent on an international basis of any multinational company.

I have said that I believe the influence of the multinational company to be an influence for good. Let us have a look at what multinational contributes.

First of all I think an international organisation breeds locally professional management of international standards. This is achieved through exchange of experience and exchange of personnel. The development of an international outlook in management makes it more receptive to change and progress. Quite often managers leave us to make a contribution outside the business. In India itself Hindustan Lever's senior managers have taken up several responsible jobs in the national sphere.

A second contribution is the access to international knowhow in technology and in management of resources. Here again Hindustan Lever is one of the few companies of its type in India which has invested so much in R&D and benefited considerably. The inspiration and the initial training of the scientists in industrial R&D was a contribution from the international business. Science knows no

national boundaries and our scientists and technologists benefit considerably from their being part of a specialist international body. Thus an international organisation cannot only provide knowhow but facilitate continued updating of knowhow.

investment capital

A third contribution which an international organisation can make to a host country is the investment of capital. Such flow of capital requires an attitude of trust and confidence on both sides. But let me explain why such flow of capital is desirable from the point of view of developing countries. Whilst multilateral aid through official government to government channels and agencies like the World Bank is very sizeable, it is still not adequate for sufficiently rapid rate of growth. The World Bank has calculated that the western developed nations would have to contribute 0.81 per cent of their GNPs to meet the external capital needs of developing countries. As against this the present figure is only 0.33 per cent and this is actually expected to decline as a percentage to 0.24 per cent by 1980. Therefore private foreign capital will be required to make up the gap.

Furthermore although multilateral aid may appear cheaper one cannot ignore the fact that most of it has to be disbursed as well as utilised through bureaucracies in different countries which are not equipped to use them with optimum effi-

ciency. The cost of delay and reduced effectiveness often more than offset the apparently cheaper cost of such capital as compared to private investment.

Of course we recognise that multinational companies have also an obligation to ensure that by their conduct they help to create the necessary confidence in host countries so that there investment will be welcome. And as a country grows economically stronger and more secure it will find it possible to accept with confidence the investment of private capital through private international organisations as well.

intangible benefits

Let me conclude by saying that as distinct from what a multinational contributes to a developing country, it also derives some benefit other than the tangible ones. The main benefit is of exchange of experience. For instance our experience in India is of great benefit to us in evolving our policies in many parts of the world in diverse matters such as management development, coping with the investment, R&D, evaluation of investments and a host of other things. Thus the association with developing countries enriches the total management of an international enterprise in many tangible ways. And if I may end on a personal note my experience in India helped me a great deal in understanding and dealing with problems from several parts of the world.

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All subscribers are requested to notify the non-receipt of a particular issue within a month of the date of publication failing which it may not be possible to provide replacement copy.

Manager

PVC compound in the small-scale sector

Ram Prakash

This article attempts to explore the possibility and the need for manufacturing PVC compound in the small-scale sector to remove its shortage in the country. Mr Ram Prakash is Lecturer and Research Scholar in Commerce, Meerut University.

THE PVC compound (Poly Vinyl Chloride) is an important chemical (plastic) which is widely used as an industrial raw material in the production of PVC insulated house wiring cables, footwear, conduit pipe, flexible tape, rigid rope, plastic toys, food and pharmaceutical packaging, domestic utensils, etc. Thus, PVC compound enjoys a huge demand in India. But the indigenous production of the compound is too insufficient to meet the demand as it is being manufactured by a few large scale companies, e.g. Chemplast, NOCIL and Shri Ram Vinyls (DCM). Consequently, every year India has to import the PVC compound.

The PVC compound can be manufactured in small scale sector in three steps given below:

Premixing: This is the first step in the manufacturing process of PVC compound wherein all the ingredients are mixed to a high degree of homogenization

TABLE I

Production of PVC Compound in India

Year	Production in tonnes
1966	10,800
1967	13,600
1968	17,560
1969	34,400
1970	38,700
1971	42,500
1972	46,835
1973	48,486
1974	47,432
1975	42,884

at room temperature or slightly elevated temperature, which is essential to obtain the compound of high quality.

The premixing can be carried out on low friction machines, i.e., Gardener-mixer as shown in Figure 1. It consists of a 'U' shaped trough fitted with wings which rotate continuously. All the

ingredients except the plasticisers i.e. (PVC resin) stabilizers, fillers and lubricants are put into the machine. The plasticizers are sprayed through a nozzle at the top of the machine in order to prevent the agglomeration. The mixing circle takes usually 20 to 30 minutes per batch. In this process the PVC resin absorbs the plasticizers at a certain temperature. There is no hard and fast rule regarding this temperature because it depends on the formulation i.e. the type and amount of various ingredients used.

Premixing can be carried out even by hand. But it is unlikely to give good results.

Fusion or gelation: The second step, which is fusion or gelation, homogenizes the premixed material completely. The aim of this step is to mix all the ingredients perfectly at an elevated temperature in order to obtain the homogenous product.

The fusion is carried out by an extruder as shown in Figure 2. The shaft-

screw rotates and oscillates in the barrel of the extruder by a motor. The mixture of the ingredients moves forward along with the shaft as the shaft moves ahead and some of the material comes back when the shaft moves back. This movement of the shaft in the forward and backward direction along with the material generates heat, which in turn, raises the temperature moderately in the barrel. At this moderate

TABLE II

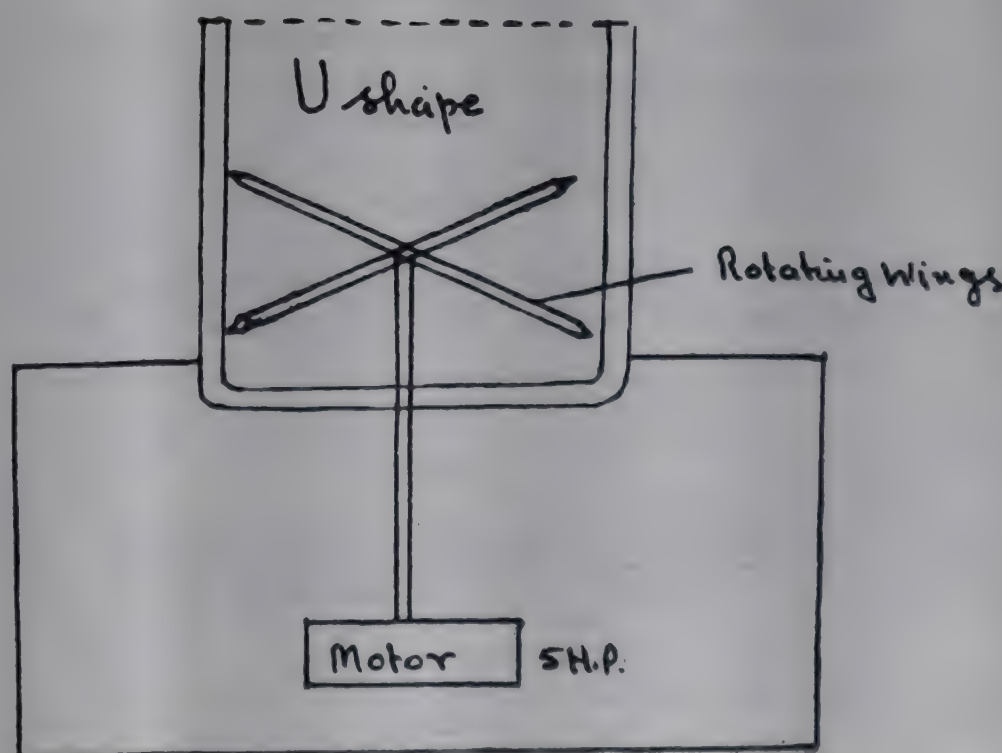
Quantity & Value of Import of PVC Compound

Year	Quantity in tonnes	Value '000 Rs
1968-69	1,396	3,431
1969-70	161	483
1970-71	23	174
1971-72	208	223
1972-73	120	643
1973-74	301	1,490
1974-75	372	2,847
1975-76	88	8,86

(April to Dec)

Note: Compiled by Commerce Research Bureau, Bombay & Monthly Statistics of Foreign Trade of India, Deptt. of Commercial Intelligence, Calcutta.

Figure No.1 Mixer



temperature fusion takes place i.e. all the components are mixed completely. Thus, the PVC compound is formed by fusion. It is forced to pass out continuously through a die fitted at the end of the extruder and strips of the PVC compound are drawn out from the die as shown in Figure 2,

Pelletizing or granulation:—The third and the final step is the granulation which converts the gelled PVC compound into small particles of suitable size and shape for feeding to various processing machines. The gelled PVC compound may be cut into cubes of 2 to 3 mm size cylinders, chips (granules) etc. The strips of the PVC compound are passed through a water tank and then fed to a cutter. The rotating knives in the cutter cut the strips of PVC compound into small pieces which are collected in a container. Thus the final product—the PVC compound in the form of small pieces—is formed and ready for different end uses.

The demand of the PVC compound is going to increase steeply in the near future, as high capacity and production targets have been envisaged in the fifth Plan for the various industries using this compound as a 'raw material'. Some of the industries in which PVC is used are detailed below :

Electrical cable industry : The annual Plan target for the PVC wires and cables industry has been set at 450 MCM.† The demand for electrical cables by the end of the fifth Plan period has been estimated at 36,000 kms, whereas the production of the cables was 26,000 kms in 1975 in which a major portion was of the PVC (compound) insulated cables. The draft of the fifth Plan projects the capacity target of electrical cables at 12,50,000 kilometers by 1978-79.*

Rubber footwear industry : The actual production in 1974-75 was 38.80 million

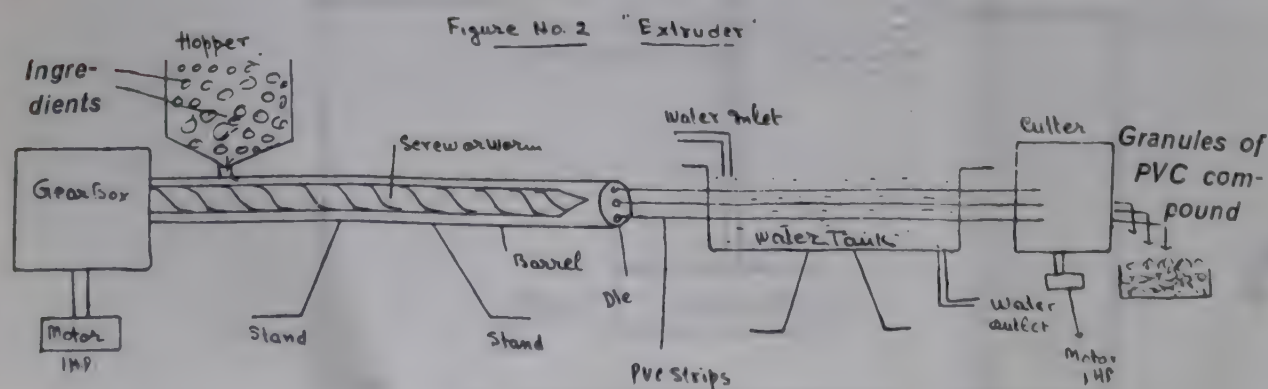


TABLE IV
Raw Materials Required for Feeding 350 kg Plant

Name of raw material	Quantity kg	Rate per kg	Amount in Rs
1. PVC Resin	165.00	8.00	1,320.00
2. Plasticizer (Primary)	53.00	16.00	848.00
3. Plasticizer (Secondary)	40.00	5.00	200.00
4. Stabilizer	10.00	15.00	150.00
5. Fillers	80.00	2.50	200.00
6. Lubricants	3.50	10.00	35.00
Total			2753.00

pairs. The target of capacity fixed for 1978-79 is 57 million pairs and production at 50 million pairs.†

Rural electrification and housing schemes : An ambitious programme for rural electrification and housing has been envisaged in the fifth Plan. The draft proposes to raise the level of rural electrification from about 1,40,000 villages to about 2.5 million villages and energising of irrigation pump-sets from 2.5 million to four million.

Many social housing schemes have been proposed in the fifth Plan. An outlay of Rs 580 crores has been provided and a total number of 8,82,661 houses has been sanctioned for construction.**

All these schemes will need more and more PVC electrical cables which, in turn, will require a large quantity of PVC compound. Keeping in view the growing demand of the PVC compound, high capacity and production targets have been set.

The target capacity for PVC compound for 1978-79 has been fixed at 71,100 tonnes† and production target at 55,000 tonnes.

Capital investment required : The capital investment required for purchasing plant and raw materials is considerably high for the small-scale industry. An imported complete PVC compounding plant, Japanese or German made, costs about Rs 1,00,000 or more. Some cheaper Indian plants are available e.g. RC

100 twin screw extruder manufactured by R.H. Windsor (India) Ltd, Thane. To reduce the initial capital investment in plant and machinery, instead of buying the complete compounding plant, imported or Indian, it is suggested that component machinery should be purchased from local engineering manufacturers by giving own specifications. These components can be assembled easily. The PVC compounding unit assembled in this way will cost much less than that purchased whole. The details of the investment required for locally assembled plants is given in Table II.

TABLE III
Investment Required for Locally Assembled PVC Compounding Plant
Amount in Rs (Approx)

1. Extruder (Including motor)	5,000
2. Cutter	1,500
3. Mixer	3,000
4. Thermostat	500
5. Water tank	300
Total Rs	10,300

Purchase of raw material : The production capacity of the above mentioned plant is about 350 kg per day for which the raw materials required are given in Table IV above.

An amount of Rs 2,753 per day is required for the purchase of raw materials which is beyond the scope of a small scale entrepreneur. The only way to achieve the high production targets proposed in the fifth Plan and for import substitution of the PVC compound is that the government should encourage the indigenous production of the PVC compound in small the scale sector by providing a package of assistance to this sector.

*Udyog Vyapar Patrika, New Delhi, Aug 76, p. 2

**Yojana 15-31 Dec. 76, p 17

†Eastern Economist Annual No. 1977, p1366, 1274.

A time of change for Japanese business

This abstract from reports prepared recently by Rikizo Komaki, the Chase Manhattan Banks economist in Japan, is reproduced here by courtesy International Finance, Issued bi-weekly by Chase's Economics Group.

WITH THE resolution of some political and economic uncertainties, business confidence has picked up in recent weeks and Japan's economic outlook for 1977 is now somewhat brighter than it was several months ago. But strong optimism would still be premature. Whether or not the Japanese economy can be set upon a steady growth trend largely hinges on the government's near-term economic policy and its effective implementation.

Economic policy is typically expressed in the government's budget. Although the budget for fiscal 1977 has yet to be approved by the Diet, it provides a basis for assessing economic prospects for the year. Clearly, the government is torn

expected to accelerate to 6.9 per cent from 3.8 per cent in fiscal 1976. Although fiscal policy is being kept only faintly stimulative, the authorities apparently anticipate a strong autonomous recovery of the private sector. Present indications are that this may be rather optimistic.

The key question involves private capital outlays. Official estimates of a 3.8 per cent increase in private investment during fiscal 1976 may prove to be high, and most of the gain was recorded by the non-manufacturing sector. Among the manufacturing industries, iron and steel companies were the largest investors last year. However, these companies will significantly reduce their investments this year with the

ning financial difficulties experienced by regional governments, which account for roughly one half of total public investment.

Private consumption—the largest component of GNP, accounting for about 50 per cent of the total—is projected to expand 5.4 per cent in real terms during fiscal 1977. Wage increases in the spring labour negotiations are expected to be larger than last year's average of 8.8 per cent, and are likely to reach some 10 per cent because of improved business earnings. At the same time, inflation is expected to moderate further. Last year, cold weather led to very poor crops, especially in northern Japan, and thus contributed both to a decrease in personal income and to cutbacks in consumption expenditures. Barring a return of bad weather, a 5.4 per cent increase in real personal consumption seems an attainable target.

WINDOW ON THE WORLD

between the need to stimulate the economy and its desire to avoid worsening financial pressures caused by cumulative fiscal deficits. The result has been a compromise budget which is only moderately stimulatory.

The government's economic assumptions for fiscal 1977 project a real increase of seven per cent in government spending and 6.7 per cent growth of real GNP. Thus, government expenditure will have an almost neutral impact on economic growth. All the components of private-sector expenditure are forecast to accelerate substantially. In particular, the real increase in private investment in new equipment is

completion of some long-range blast furnace construction projects, and also because of weak future prospects for demand. And in view of substantial idle capacity in most industries and unclear prospects for profits, business firms in general are not likely to increase significantly their capital spending unless confidence concerning future economic growth is strengthened.

All in all, official forecasts of a 6.9 per cent increase in real private equipment investment may prove difficult to achieve. Moreover, the projected 9.9 per cent rise in real public-sector investment may have to be discounted somewhat due to conti-

realistic projection

On balance, growth of real GNP may pick up slightly in fiscal 1977 from the year before, but not as much as officially forecast. Under existing circumstances, real growth of about six per cent appears to be a realistic projection.

Dramatic changes have taken place in the structure of Japanese industry over the past two decades, during which the Japanese economy grew at an average annual rate of 10 per cent. Some industries grew much faster than 10 per cent, while others lagged behind the overall economic expansion. Changes now taking place within the framework of a slower-growing economy will be more painful than in the past, and some industries will shrink substantially or even disappear. These developments are of vital importance for Japan's banking system, which itself will undergo significant changes.

The 1974-75 recession was unquestionably the worst in Japan's post-war history.

Profits of manufacturing industries dropped sharply for two consecutive years, something that had never been recorded before. In such sectors as textiles and iron and steel, not only individual companies but the industry as a whole operated at a loss—a new experience for Japanese business.

The ratio of profits to total assets, which had never dropped below 1.7 per cent, plummeted to 0.7 per cent in the second half of fiscal 1974. The extreme deterioration was the result of a sharp drop in the profit/sales ratio—which declined from 5.9 per cent in the first half of fiscal 1973 to 1.2 per cent in the second half of fiscal 1974. This severe profit squeeze was the result of several factors.

In the past, the value-added/sales ratio for manufacturing industries tended to be higher during periods of recession, because prices of inputs would decline more sharply than the prices of a company's output, or output price would rise more than input price. These relative price movements supported the profit/sales ratio of manufacturing industries in times of recession. After world oil prices soared, however, the situation changed completely. In fiscal 1974, input price went up as much as 28.8 per cent, while output price rose 21.3 per cent. In other words, sharp increases in costs of materials could not be passed on, resulting in a deterioration of the value-added/sales ratio.

decline in profits

The profit/value-added ratio, or the profit share, normally fluctuates widely and is the major factor causing deterioration of the profit/sales ratio during a recession. The decline of the profit share was particularly sharp in the last recession—from 19.5 per cent in fiscal 1973 to 13.1 per cent in fiscal 1974, and to an estimated 10.3 per cent in fiscal 1975. The value added by industry is divided among profits, labour, depreciation, and interest. A decline in the profit share thus implies a corresponding increase in some other shares.

In contrast to the profit share, the labour share generally increases during recession. Until about 1970, the labour share remained at 47 per cent, 50 per cent of value added. But it has risen sharply since then,

and is estimated to have topped 58 per cent in 1975. The share of depreciation, on the other hand, was stable at around 13 to 14 per cent until about 1972. But this share declined to the 11 per cent level after 1973, because of the relative decline in the book value of depreciable assets due to inflation and a drop in the rate of depreciation reflecting a stagnation of fixed investment and a deterioration of profits.

One peculiarity of the distribution of value added in Japan is the high share of financial cost or interest payments. This fluctuates between 11 per cent and 14 per cent, rising at times of tight money. After reaching a low of 10.9 per cent in 1973, a time of extremely easy money and an economic boom, the interest-payment share of value added rose to an estimated 14.3 per cent in 1975, matching the high reached in the 1975 recession.

shift in factors

To sum up, the recent recession was different in many ways from previous recessions. Its seriousness was reflected in an extreme deterioration of business profits. More important, however, were the shifts in the factors behind decreased profits.

The value-added/sales ratio, which in past recessions had tended to rise, declined. This—together with a deterioration of the profit share in value added, which dropped to a new low—caused the profit/sales ratio to dip to a level far below the bottom line of the past. The labour share, in contrast, rose to an unusually high level as the direct result of slower productivity growth and accelerated wage increases. The depreciation share dropped, after having been stable for many years. This presents new problems, since it reflects inflation and insufficient depreciation on the one hand and decreased investment on the other, which will eventually result in a further deceleration of productivity growth. The high financial-cost share is not a new phenomenon, but is especially burdensome at a time of slow sales growth.

The decline in the value-added/sales ratio reflects the fact that a recession may now be worsened by increases in the prices of raw-material inputs. In the past, when a recession caused input prices to decline more sharply than output prices, it was

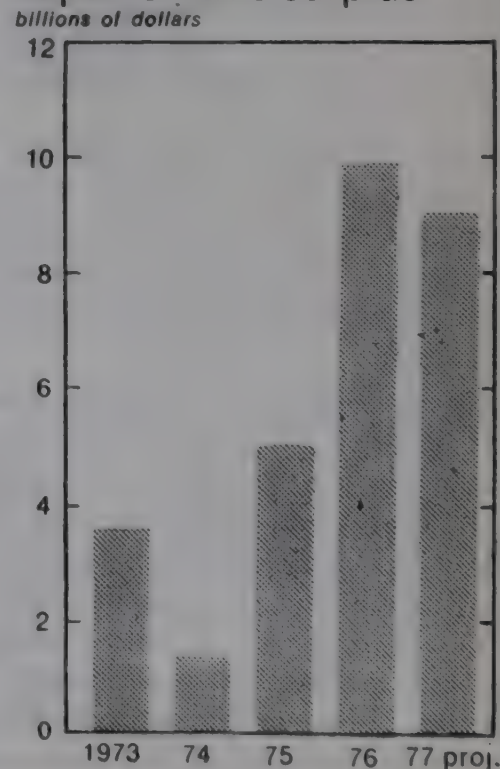
reasonable to maintain the level of operations so as to absorb fixed costs. Now many firms tend to curb operations because of high input prices while attempting to accelerate the rise in output prices. Moreover, efforts are being made to avoid increases in fixed costs by cutting investment outlays.

Looking ahead, business will have to tackle the difficult task of cutting labour cost. This will provide an incentive for investment in labour-saving equipment but will also foster a conservative attitude toward expansion of facilities because of Japan's rigid labour market structure. Over the longer run, the lifetime employment system must gradually begin to give way to a more flexible labour market.

Of immediate importance for the banking industry, however, is the impact of business efforts to reduce financial costs. To raise the share of profits in value added, either the labour share or the interest-payment share will have to be reduced. Business will try both.

Commenting on the prospects for the year, Chase's Economic Group discussed probabilities of Japanese government policy in another brief report. The slide in the value of the Japanese yen last fall reflected concern over the country's future export performance, growing uncertainty as to the internal stability of the Liberal Democratic Party, and anticipation that the price of oil would be in

Japan's trade surplus



ased by at least 10 per cent. The strength of the yen over the past several months stems from both a change of expectations regarding those factors and an additional element—a widely shared belief that the Japanese government would react to the US argument that the strong-currency countries must carry a larger proportion of the aggregate current account deficit that is the counterpart to the continuing JEC surplus.

A key element in market preceptions—and most likely in the current thinking of Japanese policymakers—is the continuing strong performance of Japan's exports. After a slump in November, the trade surplus for the December-January period rebounded to an annual rate of over \$12 billion on a seasonally adjusted basis. Although this rate will

not be maintained, a trade surplus for calendar 1977 of about \$9 billion seems likely, not much less than the record \$9.9 billion posted last year. This projected trade surplus, which is larger than the official estimate, is based in large part on forecasts of the rate of growth of Japanese demand. If the projected government budget is not changed, real growth of GNP fiscal 1977 (ending in March 1978) should be about 0.5 percentage points less than the 6.7 per cent rate currently forecast by the government.

There are two main ways the Japanese government can respond to foreign pressure to reduce this overall trade surplus. One would be to adopt a more expansionary fiscal-monetary stance. The other would be to aim for a stronger yen. The

latter response is likely to be easier to accept. Japanese policymakers are highly sensitive at this time to the costs of higher rates of inflation and are hesitant to increase the already large public-sector borrowing requirement. Then, too, the need to restrict exports of certain products to the United States and the European Community provides an additional argument for accepting a stronger yen, since the possibility of higher dollar prices on these exports would counteract the effect of an appreciated yen on export profit margins. The current strength of the yen thus appears to be more than just a passing fancy of the market. But in view of the difficulty of forecasting the volume of Japanese exports, it would be rash to project this strength very far into the future.

India and ASEAN : scope for and limits to cooperation

A Special Correspondent

While there was a certain trend towards diversification of our exports to the ASEAN, our imports from this region are limited to a few traditional items, which is a limiting factor on mutual trade. To finance the import of machinery from India, these countries could in return export the products of these machines to our country.

AN endeavour to promote export oriented economy and thus increase opportunities for industrial growth, a new trend towards development of economic ties with the five south Asian countries constituting the ASEAN has become visible during the last few months.

The recent development in ASEAN which are likely to promote closer cooperation between the member-countries and to create favourable conditions for the ultimate establishment of an Asian common market have on their part contributed to the strengthening of the above trend. Though ASEAN was formed a decade ago, the prerequisites for its development into an integrated economic organism have now started developing properly.

At present this alliance embraces a population of 220 million and has the total GNP of more than \$50 billion. The economies of the member countries have been steadily developing during the last decade or so which has resulted in the

achievement of a higher per capita GNP growth rate by these countries than by the other nations of the region. The ASEAN countries are poised towards more rapid development during the coming years "taking-off" from their traditional structure. New steps have been initiated to strengthen the complementarity of their national economies and to

develop a number of industries using joint efforts.

Quite naturally India is eager to get some advantages from the emergence of a new economic system in her neighbourhood. Until recently our trade with the ASEAN countries was rather insignificant—at the beginning of 1970's its turnover was about Rs 60 crores. But during subsequent years some major efforts undertaken by Indian companies in this region resulted in a 3.5-fold increase in this figure. We have greatly diversified our exports to the countries of the region putting greater

TABLE I
Basic Economic Indicators of ASEAN Countries

Countries	Population (000,000) (mid-1973)	GNP at market prices (1973)		GNP per capita growth rate 1965-73
		total amount (Billion \$)	per capita (\$)	
Indonesia	124.4	15.9	130	4.5
Philippines	40.2	11.2	280	2.6
Thailand	39.4	10.6	270	4.5
Malaysia	11.3	6.5	570	3.7
Singapore	2.2	4.0	1,830	9.4
All ASEAN countries	217.5	48.2	222	N.A.

Source : World Bank Atlas.

accent on the growth of engineering goods exports.

The major contribution to the growth of our engineering exports to these countries has been made by Indian companies establishing joint ventures in this region. Due to the restrictions imposed by our government on cash investments in joint ventures abroad these companies were buying their shares in the joint companies by supplying machinery and equipment.

By the middle of 1970's Indian companies found themselves faced with serious monetary resource problems while starting new joint ventures in the ASEAN countries. To meet their demand the government has eased the restrictions on cash investments abroad particularly to the ASEAN countries thereby hoping to give a new boost to our companies' expansion in this region.

While there was a certain trend towards diversification of our exports to the ASEAN countries, our imports from these countries are still depending on a few traditional items. Two of them—rice (from Thailand) and tin (from Malaysia)—account for more than 55 per cent of their total value.

Thus, diversification of India's imports from the ASEAN countries is of prime importance if any form of economic integration by India with these countries is contemplated.

This is not an easy task as under the conditions prevailing in the economies of these countries during last few years there is marginal scope for increased Indian purchases of non-traditional goods from the ASEAN countries.

The way out can be found by the

utilisation of our machinery and equipment in the construction of industrial projects in the ASEAN countries and payment for this machinery being made in the form of the supply of the produce of these machines to India. The ASEAN countries' share in India's foreign trade

turnover is now about 2.5 per cent, i.e., is even larger than that of Philippines which is a full-fledged member of this alliance. If some practical steps are taken in the near future the chances of closer cooperation between India and the ASEAN can be quite considerable.

TABLE III

Major Commodities in India's Exports to the ASEAN Countries—1975-76

Commodities	Amount (Rs crores)	% to total India's export to the ASEAN countries	% to the total India's exports
Machinery and transport equipment	43.22	26.5	16.9
Sugar	31.80	19.5	6.7
Iron and steel	1.58	4.7	6.5
Manufacture of metals	7.27	4.4	8.9
Aluminium	4.86	2.9	89.7
Onions and spices	9.53	5.8	12.7

Source : (1) "Statistics of the Foreign Trade of India by Country and Economic Regions", 1975-76.

(2) "Monthly Statistics of the Foreign Trade of India", March 1976, Vol. I

TABLE IV

Major Commodities in India's Imports from the ASEAN Countries—1975-76

Commodities	Amount in (Rs crores)	% to total India's imports from the ASEAN countries	% to the total India imports
Rice	16.89	31.9	37.1
Tin	13.84	26.3	99.4
Ores and concentrates of copper	3.62	6.8	97.2
Ores and concentrates of tungsten	1.27	2.4	95.1
Machinery and transport equipment	1.88	3.5	0.2

Source : (1) "Statistics of the Foreign Trade of India by Country and Economic Regions" 1975-76.

(2) "Monthly Statistics of the Foreign Trade of India", March 1976, Vol. I

TABLE II

India's Trade with the ASEAN Countries

(Rs in lakhs)

	1970-71			1974-75			1975-76		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
Indonesia	410	25	385	509	264	245	5,202	344	4,858
Singapore	1,763	117	1,646	3,743	723	3,020	5,113	1,162	3,951
Malaysia	1,174	575	599	2,926	1,120	1,806	3,235	1,429	1,806
Thailand	571	948	—377	1,235	227	1,008	1,589	1,913	—324
Philippines	136	98	38	401	97	304	1,156	446	710
All ASEAN countries	4,054	1,763	2,291	8,814	2,431	6,383	16,295	5,294	11,001
Share of ASEAN countries in India's total trade (%)	2.6	1.0	—	2.6	0.5	—	4.1	1.1	—

Sources: (1) "Eastern Economist", Annual Number 1974.

(2) "Statistics of the Foreign Trade of India by Country and Economic Regions", 1975-76.

Who are the heroes of

the emergency? Apart, that is, from the leading political opponents of the erstwhile regime, who are now basking in the acclaim of the public, while their ink-and-file, as always happens with all ink-and-file, will of course remain unused and even unnoticed. A few of these other heroes are named here:

Mr Viren Shah, who packed up a suitcase on the day the emergency was declared, fearing the worst and preparing to face it;

Mr Ramnath Goenka, who fought and won the battle for the right a citizen has in a democracy to own and run a newspaper of his choice;

Mr C.R. Irani, who proved that he could make Mr V.C. Shukla choke on his own vomit when the latter tried to swallow *The Statesman*;

The octogenarian Mr K. Santhanam, who kept on bombarding, resolutely and most of the time without response, the editorial sanctums of newspapers with statements for publication, denouncing the destruction of the norms and decencies of democratic politics and government;

Mr Kuldip Nayar, who, within hours of the imposition of press censorship, stood up and spoke for freedom of information and promptly became the central figure in a *cause celebre*;

Mr V.K. Narasimhan, who made *The Indian Express* the conscience-keeper of that part of the press which was struggling to remain free; and

Mr Murlidhar Dalmia, who employed his unyielding courage, nimble mind and unrivalled knowledge of the ways and by-ways of law to the full in a court fight with Mr Bansilal and succumbed to the latter's private vendetta only when the highest in the land proved unwilling

or unable to call a halt to the ex-Defence minister's official campaign of aggression against a private citizen.

This list, of course, is artificially short (for reasons of space) and the selection may be highly subjective (with less reason, perhaps). Nevertheless, it is worthwhile to mention these people when we are trying to count the gains of the end of the emergency. I should perhaps refer too to the many members of the judiciary who did their duty bravely and conscientiously and were punished or penalised in many ways for daring to throw the book at the establishment. In a lighter vein, I pay my tribute also to those nameless doctors who issued false vasectomy certificates freely, but not without a fee, to all those government, municipal or other public or semi-public employees who were asked to produce those papers if they wanted to keep their jobs.

If there are to be heroes,

there have to be villains. The latter are a necessary evil, like bull-dozers to urban beautification—ask, you know whom. Two of the villains were specifically referred to in the foregoing passage. But there are villains and villains. Not all of them are murderous. Some of them are merely clownish. Mr Khushwant Singh perhaps belongs here. Clever as a monkey, he surely ought to have seen at once that the moment he began writing that long explanation about his editorial behaviour during the emergency he was in effect shouting, as the Tamil saying goes, that his father was not hiding in the haystack.

There is no 'perhaps' in the case of Mr G.K. Reddy of *The Hindu*. A colleague asked me a little while ago whether I had read Mr Reddy's fulsome tribute to the new rulers. I haven't yet. But there is no need. Never had a newspaper management

a more conforming employee. This kind of mental discipline is more than its own reward. Apart from the other more or less obvious benefits it confers on its practitioners, it saves them the energy needed for wrestling with one's conscience so that there is so much more energy left for one's less avoidable activities. There is a beautiful simplicity about the philosophy of "he who pays the piper calls the tune". Be it rats or be it children—that could make no difference. What matters is that contracts must be honoured. Mr Reddy is the pied piper of Indian journalism.

As for the Punch and Judy show, we have to turn only to those truly amazing twins of the (now so-called) All India Newspaper Editors' Conference. Its president, Mr V.P.V. Rajan (Editor, *The Mail*, Madras) and its General Secretary, Mr Vishwa Bandhu Gupta, between themselves, succeeded only too well in turning the organization into a running dog of the establishment during the emergency. A full account of their antics will have to wait, but I may say here that while Mr Gupta at least had the excuse that he was an active member of the then ruling party, Mr Rajan seemed to be simply carried away by the adventitious prominence he had acquired and the opportunities he got for hobnobbing with such press overlords as Mr V.P. Shukla and that unbelievable amateur in news management, Mr Mohammed Yunus.

In the president's ad-

dress, the new government has declared that family planning will be pursued vigorously as a wholly voluntary programme. This rules out the stick. The carrot, presumably, will still be there. Perhaps this carrot will be in the form of *pedas*; the new minister for Health and Family Planning affectionately distributed some among the VIPs assembled at his swearing-in ceremony. I do not know how effective *pedas* are as a contraceptive device, but Mr Raj Narain may always commission some herbalist on the foothills of the Himalayas to concoct a suitable additive which will not antagonise the electorate.



MOVING FINGER

Incomes policy in the USSR

Soviet Economic Policy—Income Differentials in the USSR: Vinod Mehta; Radiant Publishers, New Delhi; Pp 134; Price Rs 45.

Functioning of the LIC — An Appraisal: B.S.R. Rao; Institute for Financial Management and Research, Madras; Pp 391; Price Rs 45.

Central Banking in a Planned Economy—The Indian Experiment: C.R. Basu; Tata McGraw Hill Publishing Co Ltd, New Delhi; Pp 371; Price Rs 75.

Disguised Unemployment in Underdeveloped Countries (with special reference to India): B.N. Ghosh; Heritage Publishers, New Delhi; Pp 152; Prices Rs 20.

Soviet Agriculture—Trials and Triumphs: G.D. Sane; Popular Prakashan, Bombay; Pp 177; Price Rs 32.

Economic Thought in Modern India: Arvind D. Karmarkar; J.S.S. Institute of Economic Research, Dharwar; Pp 328; Price Rs 40.

Reviewed by **Academicus**

Soviet Economic Policy—Income Differentials in USSR is an excellent study by Vinod Mehta making an attempt to analyse the principles of wage and salary determination in the USSR. The author has tried to analyse the sectorwise income differentials in the Soviet economy, categorization of workers, intra-industry differentiation, incomes in the agricultural sector, income differentials according to sex, inter-regional income differentials, incomes of individuals, income through illegal means, the purpose, role and significance of 'social consumption funds', and sociological implications of income differentials, such as social stratification, pattern and the standard of living of the Soviet people. Since judicious use of incomes policy with income differentials has made the USSR one of the foremost industrial nations in the world with a vast pool of skilled manpower which has enabled that country to speed up the growth of the Soviet economy, it would be instructive to know how the incomes policy came to be evolved and how it was and is being used to achieve the desired goals.

The author has divided the history of income differentials among various categories of workers into three periods. During the first period (1917-30) trend towards egalitarianism was very pronounced. During the second period lasting from 1931 to 1956, according to the author, not only income differentials widened but the whole income structure

was changed to suit developmental needs. It was much feared during this period that egalitarianism of the earlier period might lead to economic stagnation. The policy of rapid industrialisation followed during this period (1931 to 1956) also necessitated changes in the income structure. The earnings of those directly responsible for industrialising the Soviet economy—steel workers, coal miners, heavy machine builders, power equipment

BOOKS BRIEFLY

workers, and so on—were raised considerably relative to incomes of less important categories of workers like those in textile and food processing factories and of those rendering various types of services. Such a structural change helped the Soviet Union not only to rapidly industrialise the country but also create a vast army of various types of technicians. But this does not mean that low paid workers were neglected because they were helped to acquire better skills by providing technical education in evening technical schools.

The third period, according to the author, began in 1956 and continues to the present day. During this period wage reforms were introduced and completed

by 1965 and once again there was gradual narrowing of income differentials. The policy aimed at during this period has been to raise low earnings faster than high ones. This is particularly true of agricultural workers on the state farms and collective farms. The state farm workers and collective farmers were at the bottom of the income ladder before 1956. Over the years the gap between the earnings of industrial workers and agricultural workers has been narrowing. The policy of raising income of agricultural workers is being followed to give a boost to the agricultural sector.

In the Soviet Union there is no wage discrimination between sexes. But the occupational distribution of women in the Soviet Union shows that they are concentrated in comparatively low paid service occupations on account of psychological and sociological factors. They prefer jobs such as those of teachers, shop-assistant and nurses which are much less arduous.

moderate difference

It is natural that differences in income have created differences in living styles. Some western scholars have even found cultural differences arising out of differences in income. But what is remarkable according to the author, is that differences in living styles in the Soviet Union are not as glaring as in the capitalist countries.

Again what needs to be noted is that income differentials in the Soviet Union and the volume of family earnings do not affect the life chances of children as they do in capitalist countries. This is because the same education is available free to all children irrespective of family incomes. In capitalist countries this is not so. While inheritance and cultural impact are valuable factors, it is the potential capacities in children that is decisive in their intellectual development. This alone explains the creation in the Soviet Union of a vast army of engineers, technicians, scientists and other specialists though most of them had peasant and working class background.

Soviet income differentials are not as

wide as in western countries. For example, in the USA the income differential between the highest and the average is 1,000:1, whereas in the Soviet Union it is likely to be within the range of 20 to 25:1. According to the author, the income differentials in the Soviet Union are mainly functional. They reflect differences in skills, conditions of work and nature of jobs. What is important, the Soviet Union has used income policy and income differentials as a means to canalise labour in desired directions, to priority sectors of the economy and to new locations. Incomes policy has thus become an important tool to achieve important socio-economic objectives before the country.

Unfortunately India lacks a comprehensive incomes policy though it professes socialist goals and is aiming at rapid economic development. The determination of incomes in India as yet depends mostly on bargaining strength of employers and employees. There are no schedules of incomes fixed for different types of workers and different professions. It is found that the present income structure in India generally favours white-collar workers, non-productive agents, advertisers and liaison officers. Blue-collar workers of most of the categories are generally seen to be earning less than white-collar workers. Also the income differentials still appear to be very wide in spite of heavy rates of direct taxes. Obvious implication is that India needs a comprehensive incomes policy if it is to realise its socio-economic objectives. It is found that incomes policy has become as important or possibly more important than monetary and fiscal policies. There is a clear need to supplement those policies by a suitable incomes policy in spite of all the difficulties involved in evolving and executing such a policy. This excellent book convinces the readers of the desirability of incomes policy for a developing country like India.

LIFE INSURANCE

It is nearly two decades since the life insurance business was nationalised in India and the Life Insurance Corporation started functioning from 1956. In his *Functioning of the LIC — An Appraisal* B.S.R. Rao gives a critical look at its operations

with a view to delineating the major achievements and failures particularly in the light of the objectives of nationalisation.

The rise in per capita life insurance in India from Rs 34 at the end of 1957 to Rs 220 at the end of March 1975 though substantial, however fell short, according to the author, of expectations at the time of nationalisation of life insurance business. The total business of the LIC registered substantial growth both in terms of number of policies and sum assured, the compound rate of growth being approximately 13.6 per cent per year. But the author does not consider this growth rate satisfactory in view of the fact that the country is still in the early stages of insurance development. It is satisfying to note that LIC's group insurance business is catching up and the author justifiably feels that one can expect further rapid expansion in this type of business. This has also been the experience of other countries.

uneven performance

The performance of different zonal offices of the LIC in procuring new insurance business has not been uniform. The shares of the southern and western zones in the total business of the LIC has always been high while the position of the north zone has remained unchanged and there has been an overall deterioration in the relative position of the eastern zone. This means that there is an imperative need to tone up the working of the offices in the eastern zone so that the eastern zone does not lag behind in procuring new life insurance business. It was found that the average sum assured per policy was higher than the all-India average in the central, northern and western zones, and lower in the other two zones. It was also observed that whatever the plan of insurance, whole life or endowment, policy holders' preference was for policies with profit. Their share was about 97 per cent in total policies. Also, of the available plans of insurance, endowment policies have been the most popular with policyholders. This also implies that there has been a continual decline in the relative position of whole

life policies in the LIC's new business since 1961.

One of the objectives before the LIC has been to bring about spread of life insurance in rural areas. There has been some secular increase in insurance business in rural areas—the number of policies rising from 5.3 lakhs to 5.7 lakhs and new sums assured increasing from Rs 183 crores to Rs 464 crores between 1961 and 1975—and yet the relative share of rural business as compared to urban business has been continually declining. The author found that the LIC's procuring of new rural business was shared by all the zones, except the eastern zone.

rural business

As a vast majority of people in India live in rural areas and as there is a significant increase in incomes of certain sections of rural population, the LIC must make an all-out effort by devising suitable policies to capture increasing insurance business in rural areas so that the proportion of rural business in the total business of the LIC not only stops declining but forms an increasing proportion.

The author has done well to draw attention to some of the major issues confronting the LIC. He is rightly of the opinion that the overall and renewal expense ratios of the LIC are fairly high. The overall expense ratio which is expected to show an inverse relationship with the size of insurance business, instead rose from 27 per cent in 1957 to 30.5 per cent in 1974-75. Nationalisation of insurance business seems to have resulted in 'extravagance in administrative expenditure'. The overall and renewal expense ratios were much lower in some of the better managed insurance companies prior to their nationalisation. The main reason for this steep rise in expense ratios is faster growth in employees' salaries as well as commission payments to agents. The author is of the opinion that the hefty rise in salaries of the LIC's employees is very much faster than the rise in the general price level in the country which is the ostensible reason for periodic salary revisions. The analysis shows that the administration is getting top-heavy. Attempts must be made to bring down expense ratios so that policy-

holders do not feel that they are getting a raw deal and that employees are being compensated at their expense.

According to the author, there is a great amount of dissatisfaction in settlement of insurance claims. The author has suggested that in the event of any delay beyond a stipulated period, the LIC should be compelled to pay interest at a reasonable rate.

premium rates

The author is very critical of the fact that the LIC's premium rates have not undergone any major change all these years. He considers the premium rates to be admittedly high, especially compared with rates in other countries. It is regrettable that the beneficial effects of the improvement in the mortality rates of insured lives during the last two decades as also increase in gross and net yields earned by the LIC on its investment of funds did not result in reduction of premium rates charged by the LIC on its popular policies nor in a substantial increase in rates of bonus payments to policyholders.

As regards LIC's investment policy, a sector-wise analysis of the LIC's aggregate investments reveals a fairly stable share of the public sector, an increasing share of the corporate sector and a decline in the relative position of the private sector. There is need for increasing investment of the LIC's funds in private sector industries. It is however gratifying to note that though during early years major portion of the LIC's funds went to only a few states such as West Bengal and Maharashtra, in later years there was an increased flow of funds to other states. This is in conformity with the government's policy of promoting economic development of backward regions. Also there is a change in the pattern of distribution of investments of the LIC and it is gratifying to note that some of the new industries such as engineering, electrical goods and metal products which were given higher priorities in five-year Plans are receiving increasing share of the LIC's funds.

While presenting a fairly comprehensive analysis of the working of the LIC

during the last two decades or so and while drawing attention to the achievements of that institution, the author has done well to point out some of the problems which need immediate attention. Thus the LIC would do well to look into the problems of average and renewal expense ratios, premium rates and rates of bonus payment, lapsed policies, surrender value and post-sale services to customers. These are all vital matters because the efficiency of the LIC would be judged on the basis of how the LIC tackles these problems some of which are hanging fire for pretty long.

The Institute for Financial Management and Research, Madras, has been doing very useful work by bringing out valuable publications on monetary and financial developments in the country. The institute and the author deserve compliments for bringing out this informative book.

CENTRAL BANKING

Prof C.R. Basu has made an attempt in his *Central Banking in a Planned Economy—The Indian Experiment* "to evaluate critically the dynamic role of the Reserve Bank of India's monetary policy in the context of planned economic development." He has tried to explain 'the quiet revolution' that has taken place in the role and functions of the Reserve Bank during the last two and a half decades. The author has endeavoured to show "how the Reserve Bank is drifting steadily from its orthodox to bolder policies of monetary administration in order to suit the structural requirements of a planned economy like that of India."

All the world over it is seen now that the central banks apart from their orthodox role of regulating credit, have been playing a very crucial role in stimulating the growth of national economies. The central bank's role particularly in less developed countries is to foster the growth of banks and other developmental financial institutions and facilitate their work through maintaining conditions in the economy conducive to investment. It is thus seen that the socio-economic goals of the country's economic policy provide the context for the functioning of the Central Bank in that country.

With the launching of the first five-year Plan, the Reserve Bank began to play its promotional and developmental role which implied the promotion and development of monetary, banking and financial institutions in the country. Though the Reserve Bank's promotional role was often in conflict with its traditional regulatory role, its promotional role was considered so essential that it was pursued with enthusiasm. It is seen that the conflict between the regulatory and promotional roles must not be resolved by the sacrifice of one role in favour of the other. The possible conflict, it is realised, must be solved by reconciliation between the two equally important roles. While criticising the Reserve Bank for getting too much involved in developmental role, the above point must be kept in mind by the critics of the Reserve Bank.

In recent years the regional disparity in the growth of banking has attracted a lot of attention. Different states have fared differently in respect of number of branches, deposit mobilisation, bank credit and so on. In this connection the author has made a suggestion that there should be established in India a number of regional reserve banks as in the USA. The activities of these regional reserve banks could be coordinated by a monetary board as in the USA. These regional central banks would be in a position to serve the requirements of different regions much better than one central bank with branches at different centres. Even Prof R.S. Sayers has upheld this view for a vast and variegated country like India.

important suggestion

The author has made another important suggestion. In most of the developing countries indigenous banking has been found to be wholly unorganised. According to the author, the Reserve Bank will have to undertake the important task of not only assisting the development of indigenous bankers and money lenders but also of exercising healthy influence over them. The Reserve Bank's failure to link the unorganised sector with the organised sector of banking in India during all these years is most glaring. It should not be beyond the inge-

ity of the Reserve Bank to devise a scheme that would utilise most efficiently the vast experience and considerable resources at the disposal of indigenous bankers and money lenders who are spread throughout the length and breadth of India.

According to the author, the innovation of 'one-man office' would be a bold banking experiment in rural areas. With its threefold objectives of reducing cost factor, providing banking services and mobilising deposits, such an institution could prove to be a significant contribution to the promotion of rural banking in India with more than half a million villages. This challenge must be accepted. At present only about two per cent of the population has anything to do with commercial banks either as depositors or borrowers. Meeting of expanding credit needs of priority sectors like agriculture, small industries, etc shows the importance of spreading one-man offices in the rural areas. The rural offices must work in a flexible way and be attuned to rural surroundings. This would call for various innovations in banking procedures and practices. In this connection operations research should be undertaken.

new dimension

The spectacular growth and development of financial institutions under the auspices of the Reserve Bank of India have added a new dimension to central banking theory and practice. It is however feared that a wide diversification in the developmental activities may lead to dilution of the essence of central banking. The Reserve Bank, the author has suggested, overburdened as it is, should shed some of its promotional financial activities which may be entrusted to autonomous financial institutions as was done recently in the case of IDBI. Also, the author is of the opinion that in an emerging country like India, it is not proper to shut out commercial banks from the area of development finance earmarking the entire field only for the specialised financial institutions. Though some demarcation may be necessary, the author wants that the Reserve Bank should encourage commercial banks "to tread into this hitherto

forsaken track to bring about overall development."

The export sector has to be boosted by lending support of bank credit to the sector. In order to see that India is not dislodged from export markets, the Reserve Bank must examine at this stage the question of making its refinance terms sufficiently attractive by falling in line with her counterparts in other countries.

useful suggestion

The author has made a very useful suggestion that the Reserve Bank should take the initiative in holding periodic conferences in which persons interested in monetary, financial and business problems can meet and exchange ideas. There are advisory councils in Australia and West Germany while in the USA, commercial banks are represented on the Federal Reserve Banks and in the UK there is provision for consultations between the Bank of England and leading commercial banks in the country.

In spite of the great strides registered by the Reserve Bank of India since independence, there is a great deal of criticism against the Reserve Bank of India in recent years in regard to its personnel and policies. The institution is accused of not exercising its statutorily guaranteed independence and of behaving like an appendage of the central Finance ministry. It was therefore unfortunate that the functioning of the Reserve Bank was not one of the points of reference to the recent Banking Commission. After all, enquiry commissions were appointed in the past to enquire into the affairs and functioning of the Bank of England and the Federal Reserve system. In view of the immensity of the role which the Reserve Bank of India has been playing and the varied new challenges which it will have to face, it would be in the fitness of the things that the duties, responsibilities and functioning of the Reserve Bank of India are subjected to a searching scrutiny of a high powered commission. The matters which are pointed by Prof C.R. Basu in this fairly comprehensive book on central banking in India certainly need careful scrutiny with a view to pro-

viding guidance to the institution in its future role.

DISGUISED UNEMPLOYMENT

Disguised Unemployment in Underdeveloped Countries (with special reference to India) is based on the Ph.D. dissertation of the author, B.N. Ghosh.

It is maintained that lack of knowledge about the agricultural sector leads to false doctrines which in course of time get encrusted as dogmas. When this happens, one is likely to get wrong answers to questions regarding role of agriculture in economic growth, provision of capital for economic development by the agricultural sector, provision of labour by the agricultural sector to the industrial sector for latter's development and so on. Dr Ghosh has, he claims, made an attempt to critically re-examine some of these theories and experiences in the agricultural sector of India. At the empirical plane, the aim of the author is to examine critically some of the empirical studies by those who have tried to support the doctrine of disguised unemployment in the agricultural sector. The author has also made an attempt to examine "the impact of agricultural development and reforms on labour demand in the primary sector of underdeveloped countries."

The author begins by discussing the concept of disguised unemployment. He has discussed some of the common definitions of disguised unemployment to show that on conceptual ground, "surplus labour and disguised unemployment on the one hand, and disguised unemployment and disguised underemployment on the other, should be treated separately." Disguised unemployment and especially disguised underemployment can be defined in a number of ways, and it is unfortunate that the author has made complete mess of the whole thing in the very first chapter instead of clarifying the basic issues.

He then proceeds to make the astounding statement that "zero marginal productivity is neither a necessary nor a sufficient condition for the existence of surplus labour." He is of the opinion that the concept of zero marginal productivity leads to unnecessary confusion and therefore the concept and its relation with

disguised unemployment needs urgent reconsideration. According to him, so far as a relationship between level of living and efficiency exists, work-sharing is a necessity in underdeveloped countries. On this account there is hardly any possibility of removal of any surplus labour. Also, according to the author, the supposition that capital is in short supply in the agricultural sector is naive because there can be different factor proportions (and not necessarily a fixed one) in the agricultural sector. The creation of capital and its maintenance in the agricultural sector would require considerable amount of labour. The formation of this type of capital which requires labour-intensive methods instead of displacing labour would result in absorption of more labour.

Wages are supposed to be a compensating reward for disutility of work. But the family labourers do not receive any cash compensation for such disutility; instead only subsistence the money value of which is much lower than the prevailing market wage rate. Thus the supply and demand for family labour within family establishments are not a market phenomenon where market wage rate is the determining factor. On the basis of the above assumptions, the author concludes that "if the real cost of subsistence rather than market wage rate is taken as the criterion, more labourers can be shown to be productively employed in the agricultural sector."

built-in bias

Examining the various empirical studies on disguised unemployment in the agricultural sector, the author opines that "None of these studies is methodologically fool-proof and each study has a built-in bias towards over-estimation of surplus labour." The author has charged that "while estimating surplus labour, the intensity of peak demand for labour has not at all been touched upon in some studies." Where peak demand for labour is very high, according to the author, "surplus labour cannot be transferred without affecting output." Thus according to him, the quantum of disguised unemployment revealed by these studies is grossly exaggerated. Analysing the situa-

tion in West Bengal for the year 1962-63, the author has opined that "as in most other Indian states peak shortage of labour is becoming acute. Under these circumstances, labourers cannot be removed without affecting production at least for one full agricultural year."

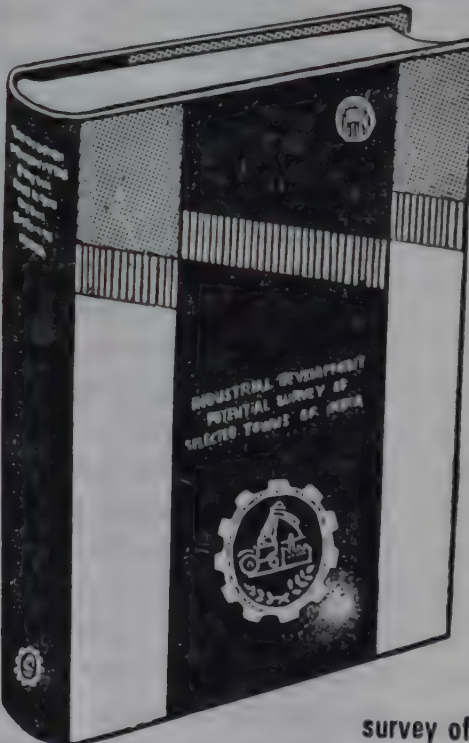
Finally the author has shown how agricultural development and reforms can enhance demand for labour in rural areas. Through irrigation alone agriculture is supposed to absorb 2 to 3 times more labourers in a productive way. Land reclamation and public works can also create considerable job opportunities. Attempts should be made to create more jobs in the rural areas and in the agricultural sector instead of shunting agricultural labourers away from rural areas into

already over-crowded towns and cities thus aggravating the situation there.

The entire history of agricultural and economic development in advanced countries goes contrary to the thesis which the author has put forward in this book. As economic development takes place agricultural labourers who are in preponderating proportion do come to be displaced and shifted to the industrial and service sectors. Thus while there is great scope for increasing job opportunities in the agricultural sector in India, with the advanced technology available for development (which means increasing per capita production) there will surely be considerable amount of labour displacement from the agricultural sector in India.

The author's method of analysis is very

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neer. Normal conditions in the market must not be judged by peak-hour demand or by potential developments in future. Well, by following the author's methodology and by making fanciful assumptions which are far removed from reality, it is possible to prove that there is no unemployment in rural areas at all and in fact there is no poverty in the country. One therefore is astounded to find Theodore V. Schutz writing in his brief foreword that "He (B.N. Ghosh, the author of the book) demolishes once and for all the most pernicious of these doctrines, namely the doctrine of Disguised Unemployment in Agriculture...It is a real contribution." The author of this book has done nothing of the kind. He seems to be bent on proving things contrary to commonly accepted and empirically and historically verified truths, if necessary, by twisting definitions and concepts and making unwarranted assumption pertaining to the present as well as future.

SOVIET FARMING

When one glances at the title of *Soviet Agriculture—Trials and Triumphs* by G.D. Sane, one begins to wonder why when there are heaps of books by Soviet and western experts available on the subject, a little known Indian author should write about it. As one proceeds and completes the book, one realises that the author has achieved something which many other foreign experts have failed to do. When the western authors write about Soviet agriculture apart from the prejudices and biases which they inevitably bring to their analysis, their interpretation of practically every development that took place in the agricultural sector in the Soviet Union is either coloured by political considerations or is influenced by ignorance or incapacity to understand developments in the Soviet Union. So far as the Soviet authors are concerned, they assume so many things and omit from their analysis so many aspects which according to them are very simple that Indian readers even after careful perusal of their books are unable to fully appreciate the developments in Soviet agriculture. G.D. Sane looks at the subject exhaustively and explains concepts and things which might appear simple and self-evident to Soviet authors. What is more important, G.D.

Sane had the benefit of visiting the USSR twice to critically examine developments in Soviet agriculture.

It would be extremely instructive to know the Soviet background and the historical developments in the sphere of Soviet agriculture.

Russian topography

The area of the Soviet Union is a little less than that of Africa, and nearly six times that of India. According to the census of 1971, the Soviet population was 243.9 million as compared to India's 547.9 million. But practically half the area of the Soviet Union is uncultivable by traditional methods of cultivation. From the description of land, climate, rainfall, river system and soil, it is easy to surmise that development of agriculture in the Soviet Union is not an easy proposition as in the USA. These conditions are bound to cause wide fluctuation in agricultural output from time to time. By chemicalisation and mechanisation, the fluctuation margin is gradually made to shrink in recent years. The sown area has increased from 118.2 million hectares in 1913 to 207.9 million hectares in 1971 and the annual average grain output has gone up from 72 million tons in 1909-13 to 191.9 million tons during 1971-74. Similar substantial increases both per hectare and in total output have been recorded in respect of raw cotton, sugar beet, vegetables, milk and milk products. The percentage of rural population has declined from 82 in 1913 to 40 per cent in 1973.

The historical developments which took place in the agricultural sector in the Soviet Union are truly remarkable and breathtaking. The October (1917) revolution was a combination of workers' uprising and peasant revolt. Agricultural reforms of 1861 were intended to abolish serfdom. But these reforms as also Stolypin reforms of 1906 did little to end feudalism in Russia. October revolution and the Decree on Land brought landlord-ownership of land to an end and the right to use land was accorded to all the Soviet citizens. All land when alienated became part of the national fund and was subject to periodical redistribution. The Decree on Land transformed feudal rural Russia into a rural Russia of middle and small peasant

cultivators, the Kulaks forming a very small fraction of cultivators.

The Decree on Land paved the way for collective farming which proceeded fairly rapidly. But the civil war intervened and Lenin decided to retrace the steps to some extent for the time being. This resulted in what has come to be known 'New Economic Policy' (1921). The NEP helped the country to rehabilitate the Soviet economy and agricultural production by 1925 attained the level of production of 1913, after overcoming the ravages of the civil war.

But though during the period of the NEP (1921-27) cooperative farming made some progress, the Kulaks with their feudal practices and anti-revolution attitude had considerably strengthened their position.

elimination of Kulak

Though agricultural production was restored to pre-war level, the problem of food supplies to the Soviet population was getting serious all along. Time was pressing hard for collectivisation. Also by 1927 the peasant mass had already begun to see the usefulness of cooperative farming. In 1927 therefore the 15th party congress decided to take resolute steps to transform small scale agriculture into big farms. There was a drive in favour of Artels i.e. collective farms and state farms and practically complete elimination of Kulaks as a class. It should be noted that the Kulaks were generally 'inveterate usurers', 'enslavers of landless peasants', 'oppressors', 'village eaters', 'human monsters' and 'fiends incarnate'. Many of them had collaborated with the western powers in their anti-Soviet activities. The author is of the opinion that the anti-Soviet western authors have painted gory pictures of the process of elimination of Kulaks. In fact, according to the author, most of them were rehabilitated on land and only the die-hards with records of anti-Soviet activities were dealt with severely. The record of European settlers in Africa, America and Australia where entire original populations were completely destroyed is much blacker.

The author's description of the working of collective farms (e.g. the general meeting of all farmers, election of

managers, their powers, method of sharing the produce, taxation etc, etc,) and of state farms gives a very clear picture of the working of these institutions which for Indians are difficult to comprehend.

Though the Soviet agriculture was progressing gradually, the second world war and the necessity of rehabilitating war-damaged industries and the emergence of cold war hindered its progress. The policy emphasising industries came to be reversed only in 1965 and since then Soviet agriculture has recorded great progress, the instruments of policy being chemicalisation, mechanisation and land improvement. The aim is to produce annually over 250 million tons of foodgrains. The author comments that while western authors continue to comment adversely on the progress of Soviet agriculture, the Soviet peasant is enjoying increasingly higher standard of living and Soviet agriculture is making rapid progress.

The author has succeeded in clarifying various new concepts and procedures connected with Soviet agriculture, collective and state farms. He has explained the model working rules, marketing arrangements, finance for agricultural operations, incentives schemes, personal auxiliary farming (in which each farmer on collective farms cultivates his own small plot for personal benefit), social security measures for farmers, cultural and educational activities on collective farms and the extent of democratic management and decentralisation in Soviet agriculture.

difficult times

During the last sixty years since the October 1917 revolution, Soviet Union had to go through difficult times and face turmoil due to civil war, western intervention after the October revolution, Nazi invasion and cold war. All through these years the Soviet Union persisted with its totally new experiment of removing agriculture from its feudal shackles and modelling it along socialist principles. They had no model to follow and had to go by the method of trial and error. If all these considerations are kept in view, the Soviet agricultural success appears stupendous.

It is therefore unfortunate that Soviet

agricultural achievements during a comparatively short span of sixty years are invariably downgraded by the western authors who compare Soviet agricultural achievements with those of the USA. This is unfair. Also the recent Soviet import of foodgrains from the USA were blown out of proportion by westerners till it was realised that the purchases were strategic out of which the Soviet Union made enormous profit by reselling some of the foodgrains to needy nations. One may or may not agree with all that is taking place in the Soviet agricultural sector. But it is a part of wisdom to first objectively understand the system and how it is working before any judgements are pronounced on the system. G.D. Sane has done a great job by presenting with clarity and objectivity the working of the Soviet agriculture. It would be found that a poor country like India with its enormous agricultural problems can learn much especially in respect of techniques from the Soviet system.

INDIAN ECONOMIC THOUGHT

Modern Indian economic thought is more than a century old. Unlike in the west, its principal protagonists were the leaders of nationalist movement—from Dadabhai Naoroji to Gandhiji and Jawaharlal Nehru. In his *Economic Thought In Modern India*, Arvind D. Karmarkar has taken in his broad sweep "the panorama of Indian economic thinking and analyses from around 1870 to the present day." Most of our economic thinking at present has its roots in the past and it would therefore be instructive to know through which route we have arrived, where we have arrived.

The author has divided the development of the Indian economic thought into three periods: the nationalist economic thought, the Gandhian economic thought and the planning school.

The main features of the nationalist economic thoughts developed by nationalist thinkers like Dadabhai Naoroji, M.G. Ranade, R.C. Dutt, G.V. Joshi, G.K. Gokhale, Dinasha Wachha and others are their remarkable insight which they revealed into the prevailing mechanism of exploitation of the Indian masses—the Drain Theory—and their

suggested methods of raising the standard of living of the impoverished masses. In spite of lack of data, these leaders provided India with the concrete framework for a national economic policy. Though the early nationalist thinkers were essentially critical of the prevailing British policies, the theory of economic development was also implicit in their criticism.

new approach

The author has given the essence of the ideas of Dadabhai Naoroji who was the first to formulate the Drain Theory, R.C. Dutt's analysis of famines in India and his insistence on industrialisation, M.C. Ranade's advocacy of the policy of protection, views of G.K. Gokhale on public finance in which he specialised, as also the ideas of G.V. Joshi and D.E. Wachha. At this distance of time, it is instructive to read about the controversy between the Indian nationalist leaders and the British administrators on the causes and extent of Indian poverty and the measures to raise the level of living of the masses. Their attempts, crude though, to measure national and per capita income attract our attention and one must not forget that the subsequent calculations of national income came to be based on the rough foundations provided by these leaders. It is not what they achieved in various fields that matters as much as the approach, industry and the zeal which they brought to contemporary problems under conditions which appeared hopeless. There is no doubt that they laid firm foundations of an intellectual tradition on which their successors could build.

The Gandhian economic thought repudiating many tenets of modern economics and emphasising reduction of human wants, decentralisation of economy based on practically self-sufficient villages, trusteeship principle to counter the inegalitarian structure of property relations and similar other tenets in tune with Indian philosophy, culture and environment came to dominate the Indian thought for quite some time. Some of the Gandhian economic tenets are being propagated even at present. The Gandhian economics won such adherents as J.C. Kumarappa, Shriman Narayan, Pro

K. Mehta and others. It is unfortunate that though lip sympathy is shown to the Gandhian economic tenets, they have had no significant impact on the programme of economic development in post-independent India, except possibly a few programmes for development of small scale and cottage industries.

economic planning

Coming to the third period commencing since independence, the author has drawn attention to the spread of the idea of economic planning. The idea of economic planning was advocated and popularised by G.V. Joshi, M. Vesveswaraya, K.T. Shah and above all Jawaharlal Nehru. Lately it has attracted many adherents some of whom have made significant contribution to the theoretical and applied sides.

Discussing the contributions of academic economists, the author has drawn attention to the contribution of Prof. K.K. Mehta and Dr A.K. Das Gupta who are possibly the only ones who have made contributions to economic theory, the first working independently on the marginalist concept and the latter on the concept of surplus in economic theory. Attention has been drawn to Dr V.K.R.V. Rao who made an attempt to prove inapplicability of the Keynesian theory to underdeveloped countries like India; to 'Raj-Sen' model of growth; to Vakil-Brahmanand model suggesting growth through consumer good industries in contrast to the Mahalanobis model propagating development through capital goods industries; and to contributions of Dr A.K. Sen, Dr S. Chakravarty, Dr Gautam Mathur, Jagdish Bhagavati and Dr B.S. Minhas and a host of others.

It was an intellectual delight to go through the survey of the development of Indian economic thought over one hundred years. Two or three things would strike the readers. The first is the fact that the impact of the western economic thought on Indian economists appears to be overwhelming. We have to borrow from them even the theories of economic development on which we have come to base our planning. It is strange that we require western theories and experts to explain to us how we should develop our small-scale industries and improve our

agricultural marketing. Secondly, one is struck by the extreme paucity of contribution to theory by Indian economists old as well as contemporary. This requires serious attention. Thirdly, it is noticed that a certain amount of sophistication in economic analysis by the Indian economists is taking place in recent years especially in respect of planning techniques.

The author, Prof. A.D. Karmarkar has shown complete grip over the subject and has written in a facile manner making the book both instructive and extremely readable. That the author should have chosen this ambitious subject for his very first book and that he should have written such an excellent book speak volumes about his scholarship. It therefore came as a great shock to the reviewer when he had just completed the reading of this book to learn that the promising career of this young scholar was cut short by his premature death six months ago.

Facts only

India, A Statistical Outline: compiled by the Public Relations Department of Indian Oxygen Ltd, Calcutta; published by Oxford & IBH Publishing Co, 66, Janpath, New Delhi 110001; Pp 240; Price Rs 40

Reviewed by **S. P. Chopra**

THIS is the fifth edition of a compilation which covers a wide range of subjects. Starting with demographic data, it goes on to national income and savings, agriculture, irrigation and power, industry, labour and employment, corporate sector, foreign investments, external assistance, industrial licensing, industrial finance, foreign collaborations, transport and communications, currency, banking and insurance, foreign trade and balance of payments, prices, public finance, public health and family planning, cooperatives and community development, mass communication and planning. A chapter is devoted to general elections and another deals with international comparisons.

Insofar as the putting together of facts is concerned, it is a praiseworthy attempt. But before even the publication is marketed, additional information that comes in makes the data out-of-date. For example, there is increased interest in the

recent (1977) elections and hence the chapter on general elections needs to be updated in the next edition. And this applies to most other chapters where the statistics are already a year old.

Books Received

Employment Potential of Manufacturing Industries—A case study of Uttar Pradesh K. Prasad & T.V.S. Ramamohan Rao; Sterling Publishers Private Ltd, AB/9, Safdarjang Enclave, New Delhi 110 016; Pp 112; Price Rs 35.

Financial Structure and Economic Development (with Special Reference to India): E.S. Srinivasan; Sterling Publishers Pvt Ltd; Pp 170; Price Rs 40.

Sectoral Terms of Trade and Economic Growth in India: M.L. Singh; Sterling Publishers Pvt Ltd; Pp 336; Price Rs 65.

Dimensions of Social Change in India: M.N. Srinivas, S. Seshaiyah and V.S. Parthasarathy; Allied Publishers Pvt Ltd, 13/14, Asaf Ali Road, New Delhi-110 001; Pp 518; Price Rs 60.

The Worker and His Union—A Study in South India: E.A. Ramaswamy; Allied Publishers Pvt Ltd; Pp 204; Price Rs 30.

Contours of Indo-Soviet Economic Co-operation: Girish Mishra; Allied Publishers Pvt. Ltd; Pp 142; Price Rs 15.

Cooperation and the Dynamics of Change: Edited by P.Y. Chinchankar and M.V. Namjoshi; Somaiya Publication Pvt Ltd, 172, Mumbai Marathi Granthasan-grahalaya Marg, Dadar; Bombay-400 014; Pp 468; Price Rs 90.

ICSSR, Studies in Agriculture : I—Bajra Production: Problems and Prospects: S.L. Bapna and B.R. Murthy; Published by Allied Publishers, 13/14, Asaf Ali Road, New Delhi-110001; Pp 75; Price Rs 15.

Poverty, Agriculture and Economic Growth: B.M. Bhatia; Vikas Publishing House Pvt Ltd, 5, Ansari Road, New Delhi-110 002; Pp 260; Price Rs 50.

How to Finance Small Business Enterprise: S.M. Parikh; Macmillan Company of India Ltd; Pp 335; Price Rs 38.

Trade, Protection and Economic Policy: Alok Ray, Macmillan Company of India Ltd; Pp 73; Price Rs 30.

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TRADE WINDS

IDA Credit for W. Bengal Project

A CREDIT of US dollars 12 million from the International Development Association (IDA), an affiliate of the World Bank, will help finance a project for the strengthening and expanding of agricultural extension services and upgrading of research facilities in West Bengal state. The purpose of the project is to help the state achieve early and sustained improvements in foodgrain production. Although production of rice and wheat has increased significantly over the past decade, these increases have come largely from irrigated crops.

Yields from rainfed areas have largely remained stagnant. The project, through reorganisation and improvements in agricultural extension, research and staff training seeks to provide the means for sustained increases in production from some 320,000 contact farmers and through them most of the four million farm families in West Bengal.

Farm Visits

This would be achieved by setting up a system of regular farm visits by trained village level workers who would encourage the adoption of improved agricultural practices. The IDA credit is for a term of 50 years, including 10 years of grace. It is interest free except for a service charge of 3/4 of one per cent. The govern-

ment of India will channel the proceeds of the credit to the government of West Bengal.

State Budgets

Maharashtra

The state Finance minister, Mr Y.J. Mohite has proposed new taxes on country liquor and on beer, which would yield an additional revenue of Rs 29.34 crores. The budget estimates for 1977-78, presented by the minister to the Maharashtra Legislative Assembly on March 22, envisaged a surplus of Rs 93.11 crore on revenue account and a deficit of Rs 88.49 crore on capital account. The overall surplus is Rs 4.62 crore.

The Finance minister has provided for a number of reliefs, which involves a financial burden of Rs 6.72 crore. Taking into account the unbudgeted Plan outlay of Rs 14.38 crore, the overall surplus of Rs 4.62 crore is expected to get converted into an overall deficit of Rs 9.76 crore. Mr Mohite explained that the deficit of Rs 9.76 crore together with the relief burden of Rs 6.72 crore brings out the deficit to the figure of Rs 16.48 crore. If this total deficit of Rs 16.48 crore is deducted from the extra revenue of Rs 29.34 crore from the new taxes, then the year 1977-78 is expected to close with a surplus balance of Rs 12.86 crore.

New taxes proposed in the budget are: (1) To raise the excise duty on country liquor produced from molasses based

spirit. It will increase the incidence of excise duty on a bottle of 750 mililitre from Rs 2.37 per bottle to Rs 5.79 per bottle and it is expected to yield an additional revenue of Rs 21.54 crore. A bottle of 750 mililitre of country liquor will be sold all over the state at the controlled price of Rs 10 per bottle. Octroi will be charged over and above this price of Rs 10. It is proposed to raise the excise duty on Indian made liquor from Rs 15 per proof litre of alcoholic content to Rs 20 raising the incidence on a bottle of 750 mililitre from Rs 8.44 to Rs 11.25. This is expected to yield an additional income of Rs 3.80 crore. To raise the excise duty on beer from Rs 2.10 per proof litre of alcoholic content to Rs 8.50 raising the incidence of excise duty on a bottle of 650 V.L. of beer from 12 paise per bottle to 50 paise. This will yield an additional income of about Rs 0.79 crore. The total additional revenue from excise duty in liquor is thus expected to be of the order of Rs 26.13 crore.

Reduction in Tax

One of the articles which is extensively used by common man is washing soap in the form of bars and cakes. It is proposed to reduce the tax from five per cent to four per cent on washing soaps (only in the form of bars and cakes). The loss of revenue on account of these concessions is estimated at Rs 89 lakhs per annum. Sales of iron and steel furniture to charitable hospitals attract a concessional rate of five per cent sales tax. It is proposed to reimburse these charitable hospitals the tax paid by them in the form of grant-in-aid. The expenditure

on this account is estimated at Rs 10 lakh per annum.

Sales of fluorescent tubes are taxed at 14 per cent. It is proposed to bring down the tax rate from 14 per cent to 10 per cent. Though there is a loss of revenue of Rs 16 lakh per annum, in practice the receipts are expected to look up. An article which is used as a cooking fuel is kerosene. It is proposed to give total exemption from tax to kerosene since most of it is used for domestic purpose. Henceforth kerosene will be tax-free in Maharashtra. The loss of revenue on account of this total exemption from tax is estimated at Rs 3 crore. The concessions given involves a relief of Rs 5.53 crore for a full year. Taking into account the needs of small holders and new allottees of land, government proposes to prepare schemes to assist them in improving their agricultural production.

Bihar

Presenting Bihar's budget for 1977-78 in the state assembly on March 25, chief minister, Mr Jagannath Mishra, announced the abolition of land revenue surcharge imposed during the last two years and the government's decision in principle to reduce irrigation rates and electricity tariff for agriculture. Dr Mishra proposed no new taxes as the budget envisages a revenue surplus of Rs 101.67 crore. Revenue receipts are estimated at Rs 568.78 crore and expenditure at Rs 467.11 crore.

On the capital account, a deficit of Rs 100.16 crore is anticipated. Capital receipts are estimated at Rs 279.47 crore and capital expenditure at Rs 379.63 crore. The overall surplus on revenue and

capital accounts is estimated at Rs 1.51 crore. But this surplus would turn into a deficit of Rs 3.79 crore as no provision had been made for an estimated expenditure of Rs 5.30 crore on Plan schemes yet to take shape. Funds for these schemes would be sought through supplementary demand.

The revised estimates for 1976-77 place revenue receipts at Rs 536.22 crore and expenditure at Rs 450.29 crore leaving a surplus of Rs 85.93 crore. On the capital account receipts are estimated at Rs 389.68 crore and expenditure at Rs 469.54 crore, resulting in a deficit of Rs 79.86 crore. The state's accumulated overdraft which stood at Rs 86.53 crore at the beginning of the current financial year was expected to come down to Rs 74.96 crore by the end of the year and to Rs 65.20 crore by the end of 1977-78. The Centre and the Planning Commission had suggested that this should not exceed Rs 75 crore at the end of next year. Dr Mishra expressed his fear that it might not be possible to contain the overdraft at this level as the abolition of land revenue surcharge and expenditure on certain new schemes in respect of education were bound to alter the picture.

West Bengal

Dr Gopal Das Nag, West Bengal Finance minister, presented on March 25, a Rs 4.01 crore surplus budget for 1977-78. In view of the surplus he has not made any new tax proposals; on the contrary he has proposed a few tax concessions and some relief in land revenue, irrigation rates and agricultural income-tax. The state is having surplus budgets for three successive years. Sales tax on

non-cotton yarn, other than coir yarn, is proposed to be reduced from three per cent to one per cent (silk yarn has been exempted earlier). The entry tax on all kinds of yarn, except woollen yarn on which the entry tax will be reduced from one per cent to half per cent ad valorem, is proposed to be withdrawn. Dr Nag said that these measures will remove the disadvantages faced by the yarn industry in the state.

Some Concessions

The rate of sales tax on paper board and straw board of all varieties will be reduced from eight per cent to three per cent to give relief to converters in the state making packing materials. Mopeds and motorised cycle rickshaws will be inviting sales tax at the reduced rate of seven per cent. The exemption limit in respect of sales of ready-made garments is proposed to be raised from Rs 10 per piece to Rs 25 per piece. The agarbatti manufacturing units would be charged sales tax at four per cent, compared with 15 per cent at present while semi-finished agarbatti sticks when sold to manufacturers of agarbatti will be subject to a concessional sales tax of two per cent. In the area of predominantly cottage industries manufacture, there will not be any sales tax. Family holdings of up to three acres will be exempted from payment of land revenue. For family holdings of more than three acres in irrigated areas, instead of three times of rate of land revenue prevailing in 1969, land revenue will be charged at one and half times. In non-irrigated areas, the rate of land revenue will be reduced to the 1969 level. The tax exemption limit for agricultural income is to be

raised from Rs 3,000 to Rs 8,000.

Since time does not permit to obtain within the current financial year the vote of the legislature on demands for all individual grants, Dr Nag proposed to take vote on account for a period of three months. Revenue receipts during 1977-78 are estimated at Rs 726.30 crore, compared with the revised estimates of Rs 638.80 crore for the current year. The estimated revenue expenditure is Rs 683.39 crore, against the revised estimates of Rs 613.81 crore for 1976-77. Higher allocation for Plan and certain other developmental schemes have raised the provision for capital expenditure to Rs 97.44 crore from the revised estimates of Rs 83.74 crore.

Uttar Pradesh

Uttar Pradesh chief minister, Mr N.D. Tiwari presented on March 25, the interim budget for the year 1977-78 showing a deficit of Rs 65.91 crore at the end of the year. Revenue and capital receipts taken together for the year are estimated at Rs 1489.91 crore. This includes revenue receipts of Rs 1137.82 crore, including estimated receipts of Rs 289.52 crore as state's share in the central taxes and Rs 435.95 crore as state's own taxes. Total receipts under capital account are estimated at Rs 352.09 crore, inclusive of loans receivable from the central government.

Revenue expenditure during the budget year is estimated at Rs 1023.42 crore, out of which a sum of Rs 139.44 crore is on the Plan side (including state plan, central plan and centrally sponsored schemes) and Rs 883.98 crore on the non-Plan side. The total revenue and capital expendi-

ture is estimated at Rs 1497.28 crore, resulting in a deficit of Rs 7.37 crore in the revenue and capital account taken together. Under the 'public account' a net receipt of Rs 56.66 crore is estimated. Mr Tiwari also presented in the Vidhan Sabha second supplementary demand for the current year, totalling Rs 418.51 crore. Of this, Rs 116.96 crore are voted and Rs 301.55 crore are charged. Also presented in UP was a vote on account for five months in the Vidhan Sabha totalling Rs 1011.04 crore. Of this, Rs 706.76 crore voted and the remaining Rs 304.28 crore are charged.

Andhra Pradesh

Andhra Pradesh Finance minister, Mr P. Ranga Reddy, presented on March 23, in the state assembly the interim budget for 1977-78 seeking a vote on account for four months. The interim budget anticipates revenue receipts during the year at Rs 763.36 crore and revenue expenditure at Rs 697.55 crore. The capital expenditure during the year is estimated at Rs 201.17 crore as against Rs 163.90 crore envisaged in the current year's revised estimates. The net effect of the combined transactions in the year is expected to result in a closing negative balance of Rs 52.50 crore, which is expected to be covered by drawal of reserves, better collection of revenue and arrears, and increase in central assistance etc.

Mr Ranga Reddy stated that the revenue surplus for the current year was now estimated at Rs 48.43 crore as against Rs 39.74 crore in the original estimates. This was mainly due to increased revenue receipts particularly the state's share of central taxes and better collec-

tion of state taxes. He said there was an increase of about Rs 35 crore in the capital expenditure during the year and it was entirely due to increase in Plan outlay. The year was expected to close with a cash balance of one crore rupees against the anticipated negative balance of Rs 42.59 crore.

Reviewing the economic situation, the Finance minister said that during 1973-76 the state income of Andhra Pradesh had risen at an annual average compound growth rate of 7.3 per cent. Both agricultural and industrial production had increased. Mr Ranga Reddy stated that it was now anticipated that the current year's annual Plan outlay would be of the order of Rs 290.73 crore as against Rs 148 crore in 1974-75 and Rs 201 crore in 1975-76. The tempo was proposed to be maintained in 1977-78 also by stepping up the Plan outlay by a further 26 per cent. The annual Plan outlay for 1977-78, he said, would be Rs 265.75 crore raising the outlays on irrigation from Rs 80 crore to Rs 107 crore and for power from Rs 114 crore to Rs 140 crore.

Assam

The Assam budget for 1977-78 is estimated to have an overall surplus of Rs 24.29 lakhs. Presenting a tax-free budget in the state assembly on March 23, Mr S. C. Sinha, chief minister, who also holds the Finance portfolio, stated that the revenue receipts were estimated at Rs 232.36 crore and the revenue expenditure was estimated Rs 211.35 crore and resulting in a surplus on revenue account of Rs 21.01 crore. The capital receipts are estimated at Rs 77.81 crore and the capital expenditure was estimated at Rs 105.24 crore. He said that the revenue sur-

plus of Rs 21.01 crore would be adequate to cover the estimated deficit of Rs 20.89 crore outside the revenue account and the year was expected to close with a balance of Rs 24.29 lakh.

Mr Sinha stated that during the year 1976-77 the revenue

receipts are expected to increase by about Rs 18.32 crore over the budget estimates. The increase is largely due to additional receipts from agricultural income tax (Rs 6.70 crores), oil royalty (Rs 6.30 crores), sales tax (Rs 6.70 crores), and share of union

excise duty (Rs 1.34 crore). He added that the revenue expenditure was estimated to have increased by about Rs 10 crore mainly on account of additional dearness allowance and urban improvement schemes. The capital receipts are estimated to be about Rs 57 crore

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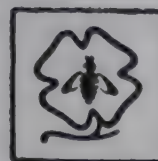
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ist the budget estimate of Rs 55.29 crore. The chief minister pointed out that the total expenditure was estimated at about Rs 73 crore, leaving a deficit of about Rs 17.6 crore. He said that the state had not availed of the Reserve Bank of India facilities and means advance from the Reserve Bank of India which resulted in less capital receipts. He said that in the revised estimates the minus running balance of the year was expected to be more than covered and the year was expected to close with a plus balance of Rs 11.98 lakh which would be the opening balance for the budget estimates for 1977-78.

Haryana

Haryana's budget estimates for 1977-78 presented to state assembly on March 24, by finance minister Mr Ram Saran Mittal revealed a massive deficit of Rs 20.10 crore, which for the present has been left uncovered. A mid-term review of the state's resources would be held later. No fresh measures have been proposed. The overall budget showed an aggregate income of Rs 453.56 crore and an expenditure of Rs 470.66 crore and thus a closing balance of minus Rs 17.10 crore, which is expected to go up by Rs 3 crore in view of the government's pre-poll decision to allow two more instalments of dearness allowance to the staff with effect from January 1, 1977. The minister hoped that the deficit would eventually go down to the extent of shortfall in the outlay for the Sutlej-Yamuna link project in the Punjab area, owing to its slow implementation. Besides, the state expects some additional devolution of central taxes and Plan assistance which for the present has been

assumed to be Rs 11.40 crore and Rs 27 crore respectively.

Mr Mittal stated that according to the revised estimates for 1976-77, the current year was likely to close with a deficit of Rs 5.68 crore as against anticipated deficit of Rs 16.30 crore of budget estimates 1976-77. The mobilisation of additional resources undertaken during the year was likely to bring to the state government additional receipts to the extent of Rs 9.83 crore. The state's share in the divisible pool of central taxes was likely to increase by Rs 1.70 crore on account of general buoyancy. The revised estimates for the current year assume larger grant-in-aid from the central government to an extent of Rs 17.59 crore. Interest receipts had also gone up in the revised estimates for 1976-77 by as much as Rs 3.12 crore. Another area to be tapped to bring down the deficit would be economy in administration. In a review of the economic situation in the state, the minister stated that a growth rate of 15 per cent, the highest in the country, was recorded during 1975-76.

Jammu & Kashmir

Finance minister of Jammu & Kashmir, Mr D.D. Thakur presented on March 23, a tax free budget for 1977-78 in the state assembly, with an uncovered overall deficit of one crore of rupees. The J & K budget for 1977-78 envisages a grant of dearness allowance to employees at a rate of eight per cent, construction of housing accommodation for employees, house rent allowance of five per cent to employees posted in places other than state headquarters, a divisional or district headquarters and an additional dearness allowance of Rs 8

per month to 16,000 pensioners in the state. These measures will together cost state exchequer Rs 4.89 crore annually. Dearness allowance and other facilities will be paid from April 1977.

Mr Thakur estimated the revenue and capital receipts at Rs 227.02 crore, expenditure at Rs 228.02 crore. A break up of these estimates, however reveals an estimated deficit of Rs 12.76 crore on revenue account and a surplus of Rs 11.69 crore on capital account. The payment includes a provision of Rs 41 crore for discharging liability on account of central loans and interest. Total outstanding on this account at the end of current financial year is of the order of Rs 485 crores.

Disclosing that the size of state's current annual Plan originally fixed at Rs 79.25 crore was stepped up by about 45 per cent and that utilisation had exceeded by about Rs 4 crore, Mr Thakur added that outlay of 1977-78 annual Plan would be of the order of Rs 98.45 crore. This included Rs 89.69 crore on state Plan, Rs 4.01 crore outside state plan and Rs 4.7 crore for expenditure on food subsidy. Central assistance will be of the order of Rs 70.09 crore after accounting for raising Rs 9.20 crore from financial institutions. The state would make a contribution of slightly over Rs 10 crore against Rs 16.61 crore.

The Finance minister stated that with an allocation of Rs 32.28 crore, water and power development would receive highest priority in the next annual Plan. This would be followed by the social and community services and agriculture with an allocation of Rs 22.05 crore and Rs 13.90

crore. He said a number of industrial projects involving an expenditure of Rs 52 crore are being processed. The offtake of fertilisers was expected to rise to 14,500 tonnes next year against 12,500 tonnes during the current year. Over 2,600 villages covering a population of about 1.4 million are expected to be electrified by the end of the current year and about 3,500 rural families are also expected to be covered under the scheme to provide house-sites to the landless.

Sikkim

No new tax has been proposed in Sikkim's budget for 1977-78 presented by chief minister Kazi Lhendup Dorji in the state assembly. The budget shows a net deficit of Rs 9.32 lakh. Presenting the budget of Rs 20.70 crore, the chief minister who also holds the Finance portfolio, said the marginal deficit was proposed to be wiped out through better collection of revenues and central-in-aid.

Names in the News

Dr A.K. Gupta, the internationally known standards engineer and expert in quality control and certification, assumed office as the new Director General of the Indian Standards Institution (ISI) on March 19, 1977. He takes over from Mr B.S. Krishnamachar, who has proceeded to Brazil on a UN assignment.

Mr D.C. Sen Gupta, Associate of Indian Institute of Bankers, has been promoted to be general manager, South India of Grindlays Bank. This is the first time in the 123 year old history of the bank (founded 1854) that an Indian has been appointed general manager of the South India region.

COMPANY AFFAIRS

Ceat Tyres

THE IMPRESSIVE improvements in working results have encouraged the directors of Ceat Tyres Ltd to enhance the equity dividend to 18 per cent for the year ended December 31, 1976 as compared to 16 per cent paid for 1975. The bonus shares allotted in November last however are not eligible for the proposed dividend. Sales during the year recorded a smart rise to Rs 71.93 crores from Rs 60.97 crores while gross profit too registered a handsome increase to Rs 3.08 crores from Rs 2.79 crores in 1975.

No Allocation

The appropriation to depreciation reserve was stepped up from Rs 99.65 lakhs to Rs 107.17 lakhs and for taxation from Rs 75.50 lakhs to Rs 92 lakhs. No allocation has been made for development rebate reserve as against Rs 10.38 lakhs provided previously while a sum of Rs 15.76 lakhs was earmarked for investment allowance reserve as against no allotment in the preceding year. The net surplus after these allocations was still higher at Rs 93.23 lakhs as compared to Rs 93.07 lakhs a year ago.

After taking into account certain provisions amounting to Rs 52.78 lakhs in respect of previous years which are no longer required, the surplus amounted to Rs 146.01 lakhs. The proposed dividend will absorb Rs 70.13 lakhs,

Rs 7.79 lakhs more than in 1975.

Ion Exchange

Ion Exchange (India) proposes to expand the capacity of Ion Exchange resins and of treatment plants. It has obtained a licence from the National Research and Development Corporation to exploit the patent held by it for manufacture of reverse osmosis plants. This is a new and promising field. The RO process could be a great blessing to areas where salinity in the raw material is very high. The company is now in the process of conducting pilot plant trials and expects to commence commercial production of RO units in 1978.

Panyam Cements

The growth of Panyam Cements & Mineral Industries' main business in cement has been spectacular recording about 12 per cent annual rate of increase in installed capacity from 200 TPD in 1959 to 1350 TPD in 1976 (66,000 TPA to 4,64,000 TPA). The company has taken up one more conversion of the existing 200 TPD wet process kiln established in 1958 into 400 TPD dry process unit. It is complete renewal and modernisation of the existing plant and the converted plant will be a new dry process unit. It will go into commercial production from January 1978. With the present conversion all the company's three plants will work on dry process. The company has programmed to set up

1200 TPD new cement unit (annual licensed capacity four lakh tonnes) at Rayalacheruvu, Anantapur district, for which mining lease for limestone has been obtained. Application for financial assistance has been submitted to the central financial institutions; and for setting up a white cement plant of 45,000 TPA capacity at Tada, Nellore district for which mining lease for limeshell in Pulicot lake has been granted by the state government. Now that almost all the hurdles have been overcome, the company desires to take up the project immediately.

Audco

Audco India Limited has secured a large order worth Rs 44.5 lakhs for the export of plug valves from Technocommerz, East Germany. An associate company of Larsen & Toubro Limited, Audco India has its modern manufacturing plant at Madras. The company has chalked out an impressive record of exporting industrial valves. It has recently been awarded a certificate of export recognition for the export of industrial valves during 1975-76 by Engineering Export Promotion Council.

Hindustan Lever

Hindustan Lever's, chairman, Mr T. Thomas told shareholders at the extraordinary general meeting held recently in Bombay that the production of various items, particularly soap and vanaspati, had been quite satisfactory and that the company's overall working during 1976 had been more encouraging than in 1975.

The company has obtained industrial licences to manufacture annually 30,000 tonnes of sodium tripolyphosphate, 19,500 tonnes of phosphoric acid, 54,000 tonnes of sulphuric acid, 10,000 tonnes of synthe-

tic detergents, 3,000 tonnes of ossein and 6,000 tonnes of di-calcium phosphate. Besides it had plans to carry out substantial expansion of the manufacture of fine chemicals.

The entire programme estimated to involve a capital outlay of Rs 27 crores when completed, will enhance the company's revenue earning capacity.

Associated Bearing

Although sales of Associated Bearing Company Ltd have gone up from Rs 16.23 crores to Rs 18.91 crores during 1976, the profit after providing depreciation and making certain other adjustments declined to Rs 3.11 crores from Rs 3.31 crores in 1975. The result of continuous increases in cost of materials, and high interest charges not compensated by any increase in sales prices, accounted for the fall in profits during the year under review. Provision for taxation of Rs 156 lakhs was lower than the Rs 203 lakhs provided in 1975. Profits after tax at Rs 1.55 lakh were therefore higher than the Rs 134 lakhs recorded in 1975. The directors have maintained the equity dividend at 20 per cent.

The implementation of the company's ball bearing expansion programme progressed per schedule, and is expected to reach the licensed capacity of six million ball bearings plus permissible additional 25 per cent by 1978. However, on the textile front the company may take longer time for full implementation of its expansion.

The existing sole selling agency agreement entered into in May 1972 will complete its five-year duration on May 1977. As per this agreement the company has from January 1975 taken over from the sole selling agents the sale of bearing

major original equipment manufacturers and the sale of spare machinery components. It also looks after its own export sales. Bearing replacement sales and sales to small original equipment manufacturers are still being handled by selling agents.

International Combustion

International Combustion (India) has maintained the quarterly dividend at 20 per cent in 1976. Besides, the shareholders have been rewarded with a bonus issue in the ratio of one new share for every five shares held. The directors have also proposed to issue 500 rights shares of Rs 10 each at a premium to be determined by the Controller of Capital Issues to the resident Indian shareholders in the ratio of three shares for every share held after effecting the bonus issue.

Besides, the rights issue, 200 shares of Rs 10 each at a premium to be determined by the Controller of Capital Issues will be offered to the employees, directors and their friends and relations. The directors have declared their intention to recommend a dividend of at least Rs 2 per share on the enlarged capital after the proposed bonus issue in the financial year immediately after allotment of bonus shares.

Hoechst Dyes

Although sales of Hoechst Dyes and Chemicals during 1976 were lower at Rs 43.96 crores than the previous year's sales of Rs 45.25 crores, its business reported a sizeable expansion of about 60 per cent to about Rs 8 crores. Gross profit too has gone up significantly to Rs 2.08 crores from the 1.80 crores in 1975. A quarterly dividend of 15 per cent has been declared but it

is payable on an enlarged capital resulting from the two-for-five bonus issues. The company paid an equity dividend of 17 per cent for 1975.

Out of the gross profit, a sum of Rs 6.38 lakhs was earmarked for depreciation as against Rs 9.57 lakhs while the allocation for taxation was raised to Rs 129.90 lakhs from Rs 116.72 lakhs, leaving a profit of Rs 72.13 lakhs as compared to Rs 53.54 lakhs in 1975. The recommended dividend will claim Rs 28.35 lakhs as against Rs 22.95 lakhs in the earlier year. A sum of Rs 43.50 lakhs was transferred to general reserve as against Rs 30.58 lakhs in the preceding year.

Reckitt & Colman

Total sales of Reckitt & Colman of India Ltd for the 52 weeks ended January 1, 1977, were higher at Rs 11.21 crores as compared to Rs 10.61 crores in the previous year. In the context of the trading conditions the growth in sales is considered satisfactory.

Profit before tax for the year was Rs 100.31 lakhs as compared with Rs 96.72 lakhs in the earlier year. After providing for the taxation (Rs 59.95 lakhs) and other adjustments, the profit available for appropriations amounted to Rs 41.36 lakhs as compared with Rs 35.72 lakhs a year ago.

The board of directors at their meeting held on March 23, 1977, have recommended a dividend of 12½ per cent subject to deduction of tax for 1976. The total dividend distribution for the year, would amount to Rs 31.25 lakhs. After making necessary provisions for dividend, a sum of Rs 10.11 lakhs was appropriated to the general reserve during the year as com-

pared with Rs 4.00 lakhs for the previous year.

Coromandel Fertilisers

Coromandel Fertilisers has received two letters of intent—one for the manufacture of aluminium fluoride recovered from the effluents of the phosphoric acid unit and another for the manufacture of argon gas recovered from ammonia unit waste gases. The implementation of the aluminium fluoride project is presently pending clearance on the question of process know-how.

The argon recovery project involves the combined recovery of argon and ammonia. The additional ammonia will be used for augmenting the fertiliser production. The ammonia part of the project is now pending clearance from the government. The company has also received clearance from the government for setting up a standby power plant with a capacity of 5 mw and when implemented this will lessen production losses during power shortages. All these projects will involve a total outlay of about Rs 10 crores.

News and Notes

International Tractor Company of India Limited (ITCI) has landed the biggest-ever export order secured by any Indian tractor manufacturing organisation. Valued over Rs 10 crores, the order, from Turkey, for 2500 International Tractor Model '444', was secured against strong international competition, which included tractor manufacturers from Europe. The order takes effect on receipt of the required import permit by the Turkish buyer. This is the third order received from Turkey. ITCI has previously exported to Turkey 1750 tractors valued at Rs 6.5 crores. To-date, ITCI

has exported tractors and implements to the UK, Australia, Japan, Indonesia, Kenya, Muscat, Nepal, Tanzania, Turkey, Uruguay and Zambia.

The company started production of tractors at its plants near Bombay in 1966 and has so far produced over 60,000 tractors.

New Issues

A new tannery project is coming up in Andhra Pradesh for processing two lakh numbers of East India (EI) wet blue chrome hides into finished leather per annum. A major part of the plant and machinery required for the project has been already imported from West Germany. The factory is expected to go into production by April.

The project cost of Rs 1.53 crores is to be financed by equity share capital of Rs 60 lakhs and loans of Rs 93 lakhs from the IFCI, ICICI and IDBI. The Andhra Pradesh Industrial Development Corporation proposes to buy shares worth Rs 15.57 lakhs, while shares worth Rs 29.40 lakhs will be offered for public subscription. Promoters and their friends will take shares to the tune of Rs 14.96 lakhs. This will be largely an export-oriented unit.

Godavary Plywoods will issue shortly 2,15,600 equity shares of Rs 10 each and 5,000—(11 per cent) cumulative redeemable preference shares of Rs 100 each at par. The proceeds will be utilised for financing partly the Rs 1.42-crore project set up at Rampachodavaram in East Godavari district of Andhra Pradesh. The company holds an industrial licence to manufacture 1.5 million sq metres per annum of commercial plywoods, decorative plywoods and veneers. Most of the indigenous machi-

nery has been received and commissioned. The first phase of commercial production began in September 1976 rolling out both commercial and decorative plywoods and since November the factory has been working on two shifts.

Capital and Bonus Issues

Consent has been accorded to the following companies to raise capital. Details are as under:

The Cashew Corporation of India Limited, New Delhi, has been accorded consent, valid for six months, to capitalise Rs 75 lakhs out of its general reserve and issue 75,000 fully paid equity shares of Rs 100 as bonus shares in the ratio of one bonus share for each equity share held.

Shaw Wallace and Co Limited, has been accorded consent, valid for six months, to capitalise Rs 2 crores out of its general reserve and issue two million fully paid equity share of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Elecon Engineering Company Limited, Vallabh Vidyanagar has been accorded consent, valid for six months, to capitalise Rs 54 lakhs out of its general reserve and issue 54,000 fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each fully paid equity share held.

RSI (India) Private Limited, Calcutta, has been accorded consent, valid for six months, to capitalise Rs 4.5 lakhs out of its general reserve and issue 4,500 fully paid equity shares of the Rs 100 as bonus shares in ratio of one bonus share for each equity share held.

Tolani Limited, has been accorded consent, valid for six months, to capitalise Rs 4

million out of its development rebate reserve and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of one bonuss hare for each equity share held.

Great Eastern Shipping Co Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 57.49 million out of its development reserve and issue 5,748,751 fully-paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares for every five fully paid equity shares held.

Anup Engineering Limited, Ahmedabad, has been accorded consent, valid for six months, to capitalise Rs 999,200 out of its general reserve and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for three equity shares held.

Atlas Cycle Industries Ltd, Sonepat, has been accorded consent, valid for six months to capitalise Rs 2 million out of its general reserve and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of five bonus shares for 11 equity shares held.

Calama Industries Private Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 1.1 million out of its general reserve and issue fully-paid equity shares in the ratio of one bonus share for each equity share held.

Glaxo Laboratories (India) Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 36 million out of its general reserve share premium account and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for two equity shares held.

Tata Engineering and Locomotive Company Ltd, a public company having a

subscribed capital of Rs 201,273,300 has been accorded consent to issue further capital of Rs 19.8 million in equity shares of Rs 100 each to the financial institutions at a premium of Rs 87.50 per share on conversion, a part of their loans/debentures sanctioned to the company. The consent order is valid for 18 months.

National Radio and Electronics Company Ltd, Bombay, has been accorded consent, valid for 18 months, to issue equity shares of Rs 9,277,900 at par to meet part finance for the company's programme of diversification. Securities worth Rs 6.4 million will be allotted to the company's foreign collaborators Schlumber Ltd, of Paris and the balance Rs 2,877,900 to the existing shareholders on right basis in as nearly as possible ratio of 3:8.

Southern Asbestos Cements Ltd, a public limited company

having a paid-up capital of Rs 4,997,538 has been accorded consent for the issue of further capital of Rs 800,000 in equity shares of Rs 100 each created as fully paid-up to IFCI at a premium of Rs 25 per share on conversion of a part of its loans to the extent of Rs 100. The consent order is valid for 18 months.

Metal Box Co of India, Calcutta, has been accorded consent, valid for 18 months, to issue debentures of Rs 10 million. The proceeds of issue will be utilised to meet the company's normal capital expenditure requirements replacement of plant equipment.

Perfect Pottery Company Ltd, has been refused permission for the issue of bonus shares of Rs 2,362,200.

Prayas Castings Private has been refused permission for the issue of bonus shares of Rs 200,000.

Dividend

(per share)

Name of the company	Year ended	Equity dividend declared
		Current year Previous year
Higher Dividend		
Goodlas Nerolac	Dec. 31, 1976	25.0 20.0
Bharat Fertiliser	Oct. 31, 1976	6.0 5.0
Searle (India)	Dec. 31, 1976	20.0 15.0
Orissa Cement	Dec. 31, 1976	25.0 20.0
Bojaraj Textile Mills	Sept. 30, 1976	12.0 10.0
Indian Vegetable Products	Dec. 31, 1976	25.0 20.0
Muller and Phipps	Dec. 31, 1976	11.0 10.0
Elpro International	Dec. 31, 1976	12.0 10.0
Same Dividend		
Schrader-Scovill Duncan	Dec. 31, 1976	16.0 16.0
Suessen Textile Bearings	Sept. 30, 1976	14.0 14.0
Atlas Copco (India)	Dec. 31, 1976	16.0 16.0
Tube Investments of India	Dec. 31, 1976	10.0 10.0
Bombay Dyeing	Dec. 31, 1976	20.0* 20.0
Molins of India	Dec. 31, 1976	10.0 10.0
Reckitt and Colman	Dec. 31, 1976	12.5 12.5

*On the enlarged capital

President's address to Parliament

RECORDS AND STATISTICS

ACTING President Mr Jatti, in his address to joint session of the two houses of Parliament said that most urgent task before new government "is to remove the remaining curbs on the fundamental freedoms of civil rights of the people, restore the rule of law and right of free expression to Press".

A comprehensive measure also be brought, he said, before the Parliament during the course of the year to amend the constitution in order "to restore the balance between the people and parliament, parliament and the judiciary, the judiciary and the executive, the states and the centre, the citizen and the government" that the founding fathers had worked out. The measure will include provisions to amend Article 352 to prevent the abuse of the power to declare emergency and of the relevant articles to ensure that the President's rule is imposed strictly in accordance with the objectives mentioned in the Constitution and not for extraneous purposes." The following is the full text of Mr B.D. Jatti's address to the joint session of Parliament.

I extend my felicitations to the members of the new Lok Sabha and welcome you all to the joint session of the sixth Parliament.

On this occasion when we miss his benign and familiar presence my thoughts go to our late President Mr

Fakhruddin Ali Ahmed in whom we have lost an elder statesman, a wise counsellor, an experienced leader, and a perfect gentleman. We mourn his loss today and convey our sincere and heartfelt condolences to Begum Abida Ahmed.

Important Milestones

The general election just concluded has effectively and decisively demonstrated the power of the people, the vitality of the democratic process in India and the deep root that it has taken. The people have given a clear verdict in favour of individual freedom, democracy and the rule of law and against executive arbitrariness, the emergence of a personality cult and extra-constitutional centres of power. The election marks an important milestone in the evolution of our democratic polity into a healthy two-party system.

My government pledges itself to fulfil in every way the mandate given to it by the people. In doing so, it will not take the people for granted or assume that they know nothing and that the government alone knows all answers and solutions. The traumatic experience of the last two years during which many atrocities were committed on the people and they had to undergo untold sufferings and some have even died, has brought home the relevance of this.

Honourable members, the new government has taken

charge only three days ago. It has not had the time to work out the details of the various measures it intends to adopt. This will be done in due course during the year and placed before you. Nevertheless, there are some urgent tasks to be attended to and the government will take them in hand immediately.

The most urgent task is to remove the remaining curbs on the fundamental freedoms and civil rights of the people, to restore the rule of law and the right of free expression to the Press. The external emergency proclaimed in 1971 has been revoked by me yesterday. The government will also take the following measures:

Review of MISA

(i) Having regard to the gross abuse to which the Maintenance of Internal Security Act has been put during the last two years, a thorough review of the act will be undertaken with a view to repealing it and examining whether the existing laws need further strengthening to deal with economic offences and security of the country without denying the right of approach to courts.

(ii) Legislation will be introduced to ensure that no political or social organisation is banned except on adequate grounds and after an independent judicial enquiry.

(iii) The prevention of Publication of Objectionable Matters Act will be repealed. Immunity which the Press

enjoyed in reporting the proceedings of legislatures will be restored.

(iv) The amendment to the Representation of Peoples Act which redefined corrupt practices and afforded protection to electoral offences by certain individuals by placing them beyond the scrutiny of the courts, will be repealed.

Restoring Balance

During the course of the year, a comprehensive measure will be placed before you to amend the Constitution to restore the balance between the people and Parliament, parliament and the judiciary, the judiciary and the executive, the states and the centre, the citizen and the government, that the founding fathers of our constitution had worked out. This will include provisions to amend article 352 to prevent the abuse of the power to declare emergency and of the relevant articles to ensure that President's Rule is imposed strictly in accordance with the objectives mentioned in the Constitution and not for extraneous purposes.

One of the very serious developments in the recent past was the erosion of the freedom and impartiality of the media of publicity and information. My government will take steps to restore to the media their due place in a democracy. Steps will also be taken to ensure that All India Radio, Doordarshan, films division and other government

ARE YOU RESPONSIBLE FOR THESE PAYMENTS ?

- SALARIES
- DIVIDENDS
- INTEREST (including interest on securities)
- INSURANCE COMMISSION
- Amounts to CONTRACTORS and SUB-CONTRACTORS for 'WORK' or 'LABOUR' contracts.
- Winnings from LOTTERIES and CROSSWORD puzzles

ENSURE THAT

CORRECT INCOME TAX IS DEDUCTED AT SOURCE at the prescribed rates.

The Tax so deducted is PAID to the credit of the Central Government within the prescribed time.

FAILURE to comply with the requirements of the law will, in addition to the recovery of tax, render you liable to

- Interest
- Penalty
- Fine and also Rigorous Imprisonment

Which shall be for

- (i) a maximum of 7 years but not less than 6 months, where the amount involved exceeds Rs. 1 lakh.
- (ii) a maximum of 3 years, but not less than 3 months, in other cases of default.

**COMPLY WITH TAX LAWS AND
HELP MOBILIZE RESOURCES**



Issued by:-
Director of Inspection
(Publications and
Public Relations)
Income-tax Department,
New Delhi-110001

davp 76/815

function in a fair and
ative manner.

thing has roused public
and resentment so much
the manner in which the
y planning programme
implemented last year in
al parts of the country.
has caused a major set
to the programme which
tal for the welfare of the
on. Family planning will
pursued vigorously as a
lly voluntary programme
as an integral part of a
prehensive policy covering
cation, health, maternity
child-care, family welfare,
men's rights and nutrition.

n the economic sphere, the
ernment is pledged to the
noval of destitution within
definite time-frame of 10
rs. Relative neglect of the
al sector has created a
ngerous imbalance in the

economy leading to migration
of people from rural areas to
urban centres. The farmer has
been denied reasonable and
fair price for his products.
Allocations for agriculture and
related developments have
been grossly inadequate and
the need to improve condi-
tions in the villages has re-
ceived scarce attention. More
than a lakh of villages do not
even have the most elementary
facilities for drinking water.
My government will follow an
employment-oriented strategy
in which primacy will be given
to the development of agricul-
ture, agro-industries, small and
cottage industries especially in
rural areas. High priority will
also be given to the provisions
of minimum needs in rural
areas and to integrated rural
development. To the extent
possible at this point of time,
the fifth five-year Plan will be

reviewed. The planning pro-
cess will be revitalised and
work on the sixth five-year
Plan will be taken up without
delay. My government will
announce at the time of the
presentation of the final budget
later this year the details of
the economic programme that
is proposed to be followed.

I now come to external rela-
tions. My government will
honour all the commitments
made by the previous govern-
ment. It stands for friendship
with all our neighbours and
other nations of the world on
the basis of equality and reci-
procity and will follow a path
of genuine non-alignment. I
am glad to say that my govern-
ment will be hosting a meeting
of the Non-aligned Coordinat-
ing Bureau early next month.
My government will also give
very special attention to the
strengthening of ties and eco-

nomie and technical coopera-
tion with all developing
nations.

Honourable members, your
present session will be a short
one in which you will have to
attend to urgent financial busi-
ness—the supplementary de-
mands of the union and the
states under President's Rule,
and the vote on account regar-
ding the general budget, the
railway budget and the budgets
of states under President's Rule.
A heavy and busy schedule
lies ahead of you in the com-
ing months. There is today
a mood of expectancy in the
country and I trust that you
will cooperate fully in attend-
ing to the business that will
be placed before you by
government, with thorough-
ness and expedition. I com-
mend you to your tasks and
wish you all success.

Jai Hind

Interim union budget : 1977-78

PRESENTING THE interim budget
1977-78 to Lok Sabha on
March 28, the Finance minister,
Mr H.M. Patel, expressed the
government's firm resolve to
review the fifth Plan and to
revise the budget estimates so
that they reflected the new
government's thinking and
priorities. This exercise, the
minister said, would be com-
pleted in time for the regular
budget to be presented in May
1977.

Mr Patel said that in the
context of 12.5 per cent rise
the wholesale price index
since March 1976 any deficit
financing had to be viewed
with concern. He said that in
order to reverse the rising trend
of prices and to usher in a
period of reasonable price sta-

bility, the government was of
the firm view that financing of
public expenditure in a man-
ner which would generate infla-
tionary pressures should be
eschewed.

Reviewing the budgetary
position the Finance minister
revealed that the current finan-
cial year was expected to close
with a deficit of Rs 425 crores
as against the overall deficit of
Rs 328 crores envisaged in the
budget.

Mr Patel said that the net
effect of the proposals made in
the budget for 1977-78 would
be an overall deficit of Rs 1,432
crores. The Budget, however,
takes credit for special bor-
rowings of the order of Rs 800
crores against drawal of fore-
ign exchange reserves, the

assumption being that such
borrowing would be non-infla-
tionary as it was covered by
increased imports of goods.
Accordingly, the Budget docu-
ment shows a net deficit of
Rs 632 crores. Following is
the full text of the Finance
minister's speech:

The budget and the demands
for grants that are being made
available to Honourable
Members were prepared on
the basis of the directions
given by the previous govern-
ment. I would like to make it
clear at the outset that though
these have been circulated,
they do not reflect our philo-
sophy, policies, and pro-
grammes.

There was no time since we
assumed office to recast these
estimates and to print the
budget documents afresh. The
annual financial statement and
the demands for grants pre-
pared earlier will serve the

limited purpose of fulfilling
the constitutional requirements
for taking a vote on account
before March 31, 1977.
This will enable government
to meet essential expenditure
during the first four months of
the ensuing financial year.

The budget for the current
financial year presented in
March 1976 envisaged an
overall deficit of Rs 328 cro-
res. Due to certain increases
in expenditure, partly offset by
improvement in receipts, the
year is expected to close with
a deficit of Rs 425 crores. It
is not necessary for me to take
you over the various details of
the budgetary developments
during the current year for
which the present government
can obviously assume no res-
ponsibility.

According to the budget as
prepared, while total receipts
are expected to go up during
the year 1977-78 to Rs 14,910

crores as compared with the figure of Rs 13,759 crores in the revised estimates for 1976-77, expenditure for the ensuing year is estimated at Rs 15,542 crores as against the current year's revised estimate of Rs 14,184 crores. This position has resulted from an increase in both non-Plan and Plan expenditure.

The central sector of the Plan for 1977-78 involves an outlay of Rs 5,053 crores and will make a draft on the central budget of Rs 4,096 crores. This compares with the preceding year's (1976-77) outlay of Rs 4,090 crores and a budgetary support of Rs 3,347 crores at the budget stage. Central assistance to states and union territories, and for various programmes concerning the Hill and Tribal areas, the North Eastern Council and Rural Electrification Corporation as well as the Andhra Six Point Formula amounts to Rs 1,692 crores according to

these estimates for the year 1977-78. The corresponding figure for the current year is Rs 1,412 crores. Taking centre, states and union territories together, the budget envisages a total Plan outlay for 1977-78 of Rs 9,953 crores as compared with Rs 7,852 crores in the budget estimates of 1976-77.

The net effect of the proposals made in the budget would be an overall deficit of Rs 1,432 crores. However, the budget takes credit for special borrowings of the order of Rs 800 crores against drawal of foreign exchange reserves, the assumption being that such borrowing would be non-inflationary, as it is covered by increased imports of goods. Accordingly, the budget document shows a net deficit of Rs 632 crores.

In the context of the rise in the wholesale price index of 12.5 per cent that has

occurred since March, 1976, and deficit financing has to be viewed with concern. In order to reverse the rising trend of prices, and to usher in a period of reasonable price stability, the government are of the firm view that financing of public expenditure in a manner which would generate inflationary pressures should be eschewed. It is our firm resolve to review the fifth Plan and to revise the budget estimates so that they reflect our thinking and priorities. We propose to complete this exercise in time for the regular budget which will be presented in May 1977.

Meanwhile, I have asked my ministry to request all ministries, departments and public sector undertakings under the control of the central government not to take up new schemes and not to enter into fresh major commitments till we have completed our review. The possibility of re-phasing

and re-scheduling continuing schemes would also be explored. All ministries and departments of government, and public sector agencies will be asked to observe the utmost economy in expenditure, keeping in view the present government's emphasis on austerity and avoidance of all forms of ostentation.

It is the will of the people of India as expressed unequivocally at the polls, that there is an urgent need to redirect economic policies and priorities so as to ensure that economic growth subserves the objective of speedy eradication of poverty and unemployment and a progressive reduction of inequalities of income and wealth. The House may be assured that we shall keep our faith with the people. The task ahead is formidable, but with the willing support and goodwill of the people, we are confident that we shall achieve our objective.

Budget at a Glance

(Rs in crores)

	1976-77 Budget	1976-76 Revised	1977-78 Budget		1976-77 Budget	1976-77 Revised	1977-78 Budget
Revenue Receipts				Revenue Disbursements			
Tax Revenue	7883	8081	8720	General Services	2224	2324	
Less—States' Share of Tax Revenue	1626	1689	1788	Defence Services	2286	2374	
				Social and Community Services	578	622	
Net—Centre's Tax Revenue	6257	6392	6932	Economic Services	1169	1525	
				Grants-in-Aid to States etc	1433	1709	
Non—Tax Revenue	1962	2115	2347	Total—Revenue Disbursements	7690	8554	
Total—Centre's Revenue	8219	8507	9279	Revenue Surplus—Deficit—	+529	—47	
Capital Receipts				Capital Disbursements			
Loan Recoveries	1497	1590	1703	General Services	22	90	
Market Loans (Net)	535	849	890	Defence Services	258	241	
External Loans (Net)	815	734	894	Social and Community Services	93	90	
Other Receipts	1576	2079	2144	Economic Services	1516	1582	
				Loans and Advances	3391	3627	
Total—Capital Receipts	4423	5252	5631	Total—Capital Disbursements	5280	5630	
Total Receipts	12642	13759	14910	Total Disbursements	12970	14184	
Overall Deficit	328	425	632				

Details of Revenue Receipts

(Rs in crores)

	1976-77 Budget	1976-77 Revised	1977-78 Budget
Tax Revenue			
Customs	1506.75	1490.45	1586.50
Union Excise Duties	4093.30	4176.60	4542.79
Corporation Tax	1025.00	1113.00	1243.00
Income Tax	957.00	965.00	1015.00
State Duty	8.75	10.75	10.75
Taxes on Wealth	52.00	59.00	40.00
Interest Tax	85.00	90.00	99.00
Gift Tax	4.75	5.35	5.50
Other Heads	150.24	170.78	177.23
Gross Tax Revenue	7882.79	8080.93	8719.77
Less—States' Share of Taxes			
and Duties	1625.61	1689.23	1788.19
Union Excise Duties	969.09	1027.38	1090.28
Income Tax	648.78	652.22	688.30
State Duty	7.74	9.63	9.61
Net Tax Revenue	6257.18	6391.70	6931.58
Non Tax Revenue			
Interest Receipts	1056.43	1109.93	1220.82
Dividends and Profits	225.57	234.80	285.68
Other Non-Tax Revenue	680.30	770.59	840.72
Total—Non-Tax Revenue	1962.30	2115.32	2347.22
Total—Revenue Receipts	8219.38	8507.02	9278.80

Details of Capital Receipts

(Rs in crores)

	1976-77 Budget	1976-77 Revised	1977-78 Budget
Market Loans	535.06	848.69	889.75
Gross Borrowings	810.00	1123.63*	1019.00
Less—Repayments	274.94	274.94	129.25
External Loans	814.85	733.89	894.03
Gross Borrowings	1206.14	1107.65	1294.58
Less—Repayments	391.29	373.76	400.55
Recovery of Loans and Advances	1497.00	1590.31	1703.18
State and Union Territory Governments	730.00	790.31	858.18
Others	767.00	800.00	845.00
Small Savings	390.50	410.00	425.00
Provident Funds	190.67	190.38	202.57
Special Deposits of Non-Government Provident Funds	100.00	150.00	170.00
Other Receipts	894.43	1328.04	1347.16
Total—Capital Receipts	4422.51	5251.31	5631.69

*Excludes Rs 100 crores of ad hoc treasury bills converted into dated securities.

Details of Revenue Disbursements

(Rs in crores)

	1976-77 Budget	1976-77 Revised	1977-78 Budget
1. General Services	4510.39	4698.10	5120.42
Organs of State	90.68	82.51	76.73
Fiscal Services	279.49	324.01	337.70
Interest Payments	1351.86	1390.11	1600.25
Administrative Services	361.06	393.20	420.13
Pensions and Misc. General Services	141.67	133.81	184.10
Defence Services (Net)	2285.63	2374.46	2501.51
2. Social and Community Services	577.71	622.07	720.55
3. Economic Services	1168.66	1525.19	1804.81
General Economic Services	252.72	352.67	414.07
Agriculture and Allied Services	447.77	719.09	811.11
Industry and Minerals	262.78	254.71	360.13
Water & Power Development	106.33	92.27	110.16
Transport and Communications	99.06	106.45	109.34
4. Grants-in-Aid and Contributions etc	1432.86	1708.49	1762.36
Grants-in-Aid to State and Union territory Governments	1367.27	1642.71	1686.37
Aid to other Countries	49.51	48.87	58.72
Other Grants & Contributions	16.08	16.91	17.27
Total—Revenue Disbursements	7689.62	8553.85	9408.14

Details of Capital Disbursements

(Rs in crores)

	1976-77 Budget	1976-77 Revised	1977-78 Budget
1. General Services	280.44	330.36	568.23
Defence Services	258.37	240.54	306.49
Other General Services	22.07	89.82	261.74
2. Social and Community Services	93.29	90.15	121.96
3. Economic Services	1515.54	1582.47	1708.87
General Economic Services	27.21	36.77	49.04
Agriculture and Allied Services	26.54	98.69	(—)212.12*
Industry and Minerals	900.68	922.06	1184.20
Water and Power Development	137.84	120.29	165.57
Transport and Communications (Other than Railways and Posts) and Telegraphs)	149.82	129.20	153.88
Railways	259.50	258.70	325.95
Posts and Telegraphs	13.95	16.76	42.35
4. Loans and Advances	3390.77	3626.52	3735.19
Loans and Advances to State and Union Territory Governments	1435.75	1503.36	1630.44
Loans for Social and Community Services	20.51	24.07	24.18
Loans for Economic Services	1512.46	1765.41	1734.05
Advances to Foreign Governments	374.90	257.70	287.22
Other loans	47.15	75.98	59.30
Total—Capital Disbursements	5280.04	5629.50	6134.25

*After taking into account recovery of Rs 250 crores from the Food Corporation towards value of fertiliser stock transferred to it on March 1, 1976.

**Resources Transferred to State and Union
Territory Governments**

(Rs in crores)

Plan Outlay

(Rs in crores)

	1976-77 Budget	1976-77 Revised	1977-78 Budget		1976-77	1977-78
1. States' Share of Taxes and Duties	1626	1689	1788	1. Central Plan	3347	4090
Union Excise Duties	969	1027	1090	2. Central Assistance for State Plans	1294	1525
Income Tax	649	652	688	3. Union Territory Plan Provision in the Budget	118	167
Estate Duty	8	10	10	4. Total Plan Provision in the Budget	4759	5788
2. Statutory and Other Transfers	734	729	781	5. Extra Budgetary Resources for Central Plan	743	957
Grants	582	579	579	6. Total—Central Plan (1+5)	4090	5053
Loans	152	150	202	7. Central Plan Provision in the Budget		
3. Assistance for Development outside Plan	454	583	504	General Services	3	12
Grants	77	157	108	Social and Community Services	428	595
Loans	377	426	396	Economic Services:		
4. Assistance for State and Union Territory Plans	1258	1386	1473*	General Economic Services	72	90
Grants	450	564	593	Agriculture and Allied Services	295	446
Loans	808	822	880	Industry and Minerals	1800	2058
5. Assistance for Central and Centrally Sponsored Plan Schemes	357	447	559	Water and Power Development	152	190
Grants	258	342	406	Transport and Communications	597	702
Loans	99	105	153	Total	3347	4090
6. Total Grants and Loans (2+3+4+5)	2803	3145	3317			
Grants	1367	1642	1686			
Loans	1436	1503	1631			
7. Less Recovery of Loans and Advances	730	790	858			
8. Net resources Transferred to State and Union Territory Governments (1+6-7)	3699	4044	4247			

N.B. The Union territories included in the above statement are those which have legislatures.

* In addition, in the budget for 1977-78 Rs 114 crores are provided for Plan outlay of union territories without legislature, Rs 15 crores for Plan schemes of the North Eastern Council and Rs 90 crores for Rural Electrification Corporation. Thus, the total provision in the budget for 1977-78 for assistance towards state and union territory Plans amounts to Rs 1692 crores.

@ Excludes Rs 26 crores for agricultural credit cooperatives and Rs 20 crores for integrated rural development programme provided under General Economic Services,

* Excludes Rs 56 crores for Rural Electrification Corporation provided as part of central assistance for state Plans.

Interim railway budget: 1977-78

PRESENTING A surplus budget of Rs 264.5 million for 1977-78

Railway minister, Mr. D. D. Dandavate has not proposed any change in the passenger fares or freight rates.

In the ensuing year passenger traffic Mr Dandavate said, is expected to increase by six per cent and the originating revenue earning freight traffic being targetted at 217 million tonnes, 11 million tonnes more than anticipated in the current year. With these traffic prospects, the minister said, gross traffic receipts at existing passenger fares and freight rates have been estimated at Rs 20914.4 million. The estimate of working expenses for the year, has been placed at Rs 16357.6 million. Besides, appropriation to the depreciation reserve fund has been increased to Rs 1400 million in keeping with the proposals accepted by the Railway Convention Committee in their deliberations.

Pension Fund

The contribution to pension fund has also been enhanced to Rs 400 million to meet the anticipated higher withdrawals. Expenditure on open line works chargeable to revenue and miscellaneous tractions is expected to be Rs 236.7 million. Dividend liability to general revenues for 1977-78, based on arrangements approved by Parliament for 1976-77, is estimated at Rs 2255.6 million. Inclusive of these items of expenditure the estimated surplus for 1977-

78 is of the order of Rs 264.5 million.

The following is the full text of the Railway minister's speech:

Sir, I rise to place before the House the annual financial statement for the Indian government railways showing the estimated receipts and expenditure for the year 1977-78. The estimates are for the whole of the next financial year, but as the time available now, before the end of this financial year, for discussion of the demands for 1977-78 is very limited, I seek from this House, for the present, only a vote on account sufficient to cover the estimated expenditure for the first four months of the financial year 1977-78, leaving the supplies for the rest of the year to be voted separately later on.

Operating Results

I shall first begin with the operating results of 1975-76, the last completed financial year. The budget for the year visualized a surplus of Rs 23.03 crores in the hope that the traffic revival noticed in the preceding year would gather momentum during 1975-76. The actual trend of materialisation of traffic in 1975-76 was better than what was expected at the time of the budget, and this was reflected in the revised estimates for traffic receipts. However, the increased traffic receipts were more than offset by post-budgetary liabilities amounting to Rs 152.36 crores, arising mainly out of retro-

active sanction of five additional instalments of dearness allowance. The net result, therefore, for 1975-76 at the revised estimate stage was a deficit of Rs 62.81 crores, against the original budgeted surplus of Rs 23.03 crores. The final accounts for the year 1975-76 indicate a deficit of Rs 61.11 crores, or an improvement of Rs 1.70 crores over what was expected at the revised estimate stage.

Freight Earnings

In the budget estimates for the current year 1976-77, a surplus of Rs 8.98 crores was expected after taking into account the effect of the proposals for adjustment of freight charges in respect of certain specified commodities. The current year has been for many years, the best operating year for the Indian railways. This can be seen from the fact that during the period from April, 1976 upto the end of January, 1977, 13.3 million tonnes more of originating revenue earning traffic have been loaded as compared to the corresponding period of last year. This is also about seven million tonnes more than the loading proportional to the original budget estimate. There was vigorous marketing effort, and all the goods traffic that was offered was carried by the railways, and the outstanding registrations were very low. Power houses, cement plants and other coal using industries had adequate stocks of coal right through. As regards export of iron ore, the full demands were met. Movement of brick burning coal and soft coke which showed a decline in the earlier part of the year, for lack of demands, has picked up substantially from the month of

December. The total originating loading both for the revenue earning and the non-revenue traffic combined, is expected to be an all time record exceeding 230 million tonnes.

Increase in passenger traffic during the current year has been truly phenomenal. Against 1,183 million originating suburban passengers and 915 million originating non-suburban passengers during April - December 1975, the numbers in the corresponding period this year have been 1,305 million suburban and 1,137 million non-suburban, recording an increase of more than 10 per cent under the former and 24 per cent in respect of the latter. This increase is the combined effect of check of ticketless travel and all round improvement in passenger train operations. During the period April - December 1976, 96 new non-suburban trains were introduced and frequency of five trains was increased. In addition, the run of 50 pairs of non-suburban trains has been extended. The result of these changes has been an increase of over 25,000 train kilometres per day.

Traffic Receipts

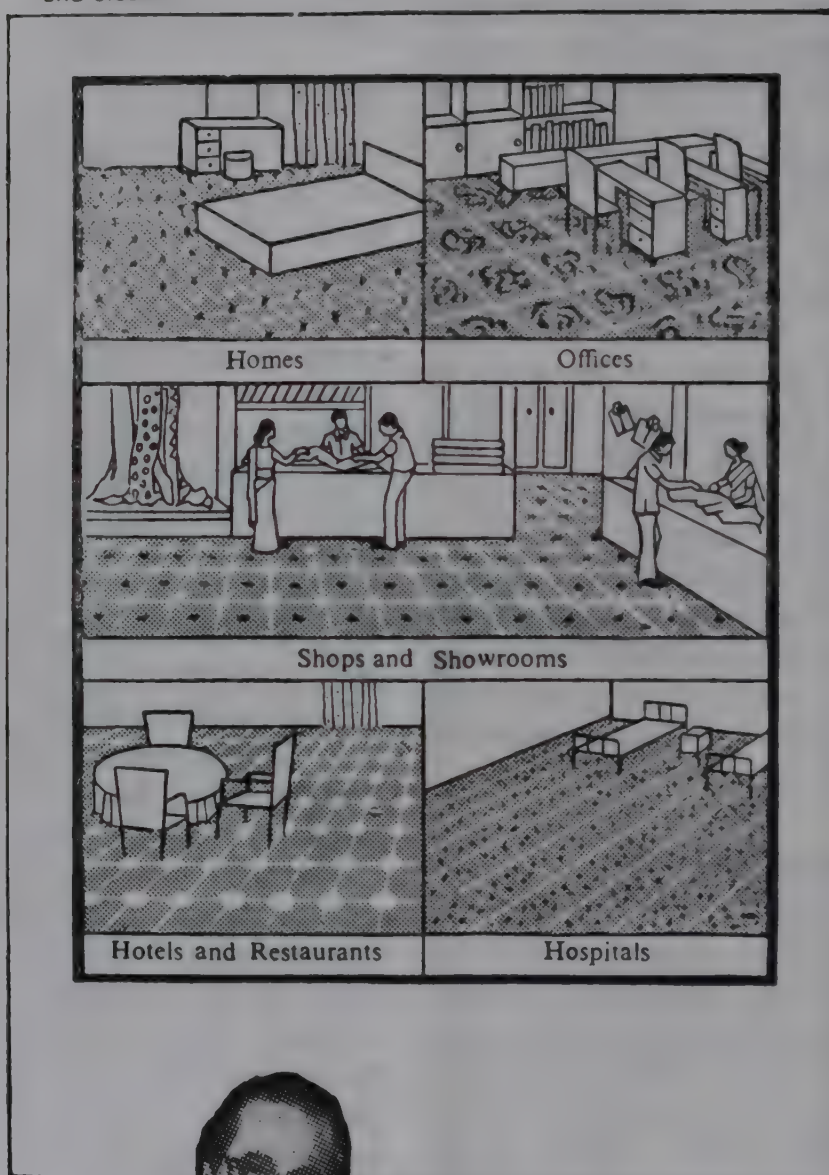
On the basis of the trend of traffic, the revised estimate of gross traffic receipts for 1976-77 has been placed at Rs 1987.55 crores, or an increase of about Rs 32 crores over the budget.

On the working expenses side, I am glad to say that in spite of the increase in traffic over the budgeted level the revised estimates record a net saving of about Rs 3 crores over the budget as a result of better efficiency and tighter expenditure control. The actual saving could have been more but for the inescapable addi-

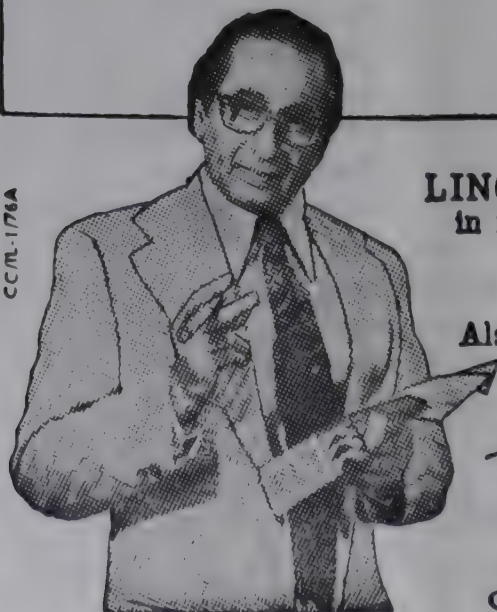
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expenditure to meet the increased requirement of fuel, lubricants and other materials necessitated by higher traffic as compared with the budget. Although the year is expected to close with a lower net expenditure than the sanctioned budget under all the revenue demands taken together, increased allocations will be required under some demands. I am, therefore, approaching the house for supplementary demands for grants where additional expenditure authorisation has been found to be necessary.

Satisfactory Results

It is a matter of great satisfaction that the railways are expected to close the current financial year with a surplus of Rs 35.67 crores, against Rs 8.98 crores surplus anticipated in the budget. When the accounts for the year are finally closed, it is possible that the actuals might even exceed this level of plus.

The Railways' developmental programme for 1976-77 envisaged a total outlay of Rs 417.81 crores including Rs 10 crores for the Metropolitan Transport Projects and Rs 5 crores to meet the working capital requirement for financing export orders. In view of overall financial constraints, this allocation was less than what the Railway Ministry had projected as its requirement; but all the same, through careful planning of the various developmental projects, including line capacity works and renewals, it has been possible to maintain the Plan targets within this allocation, except in the case of new line constructions. In the case of new line constructions the Ministry of Finance and the

Planning Commission were specially requested for an additional allotment of Rs 3 crores to keep up the progress on certain project oriented lines.

This additional allocation has been agreed to and is included in the supplementary demands 1976-77. In respect of rolling stock, due mainly to updating of the prices of rolling stock turned out of the diesel loco works, Varanasi and Chittaranjan loco works, some financial adjustments involving transfer of value from inventories to rolling stock have been found to be necessary resulting in increase in the gross expenditure under demand 15; the net outlay remaining unaffected. I am, therefore, approaching the house for additional expenditure authorisation under demands 14 and 15.

Indo-Pak Link

An important development during the current year is the resumption of Indo-Pak rail traffic. Arising out of the joint statement signed by the Foreign Secretaries of India and Pakistan at Islamabad on May 14, 1976, the details for the restoration of rail communications across the Atari-Wagha border were worked out towards the end of June 1976. Rail communications between India and Pakistan were resumed on July 22, 1976 with the running of a daily express train from Amritsar to Lahore and back. However, interchange of freight traffic started only from the September 3, 1976. By the end of February 1977, more than 17,150 passengers crossed over from India to Pakistan and over 23,000 passengers from Pakistan to India. Nearly 900 wagon loads of freight traffic have also been moved to Pakistan from India. Goods traffic

from Pakistan to India has, however, to pick up.

Before I deal with the 1977-78 budget estimates, it would be in order to pause and take stock of the general performance of the Railways in the financial year which will end in a few days. Noticeable improvement in railway operation commenced from 1975-76 and has been further consolidated in the current year. There has been general appreciation of the unprecedented improvement in railway working. I might mention briefly that in almost all spheres of railway working, the railways have excelled the best norms that they had ever achieved before. The menace of unauthorised travel agents and anti-social elements indulging in malpractices in seat reservation has been largely eliminated. At large stations, booking and reservation counters have been increased and the long queues have now been reduced considerably. Additional long distance fast trains have been introduced and overcrowding has been reduced substantially not only as a result of additional trains but also by a continued watch on ticketless travellers. Cleanliness in trains and at railway stations has improved; substantial improvement has also been made in the railway catering service.

Record Punctuality

Punctuality of trains, which was only in the region of about 65 per cent prior to 1975, has registered spectacular improvement.

Even as compared to 1975-76 the percentage of trains not losing time has recorded an improvement and the average of trains maintaining punctuality is at present well over 90 per cent.

Apart from the welcome

improvement in the punctuality of passenger train services, the current year also witnessed introduction of a number of super-fast long-distance Mail and Express trains to connect important state capitals and cities. Some of these super-fast trains, such as the Tamilnadu Express, the Karnataka Kerala Express, the Jammu-Tawi-Bombay Express and the Gomti Express have considerably reduced the journey time and have made travel comfortable. It has been possible to introduce these trains without any substantial additions to the facilities existing at the various terminal points and also without affecting the growth of the freight traffic, which is essential to growth of the economy of the country and for the viable working of the railways.

Saturation Limit

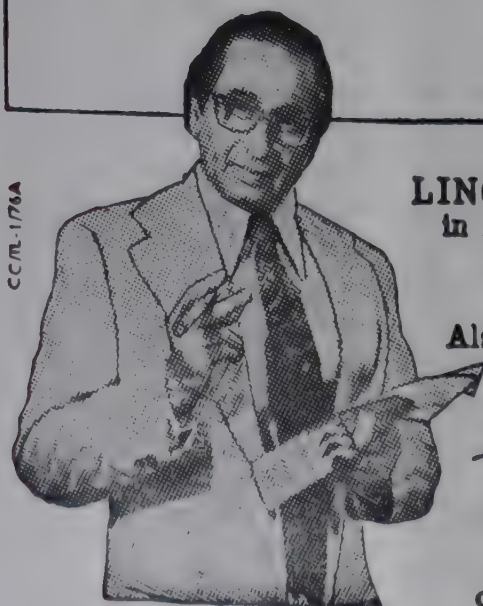
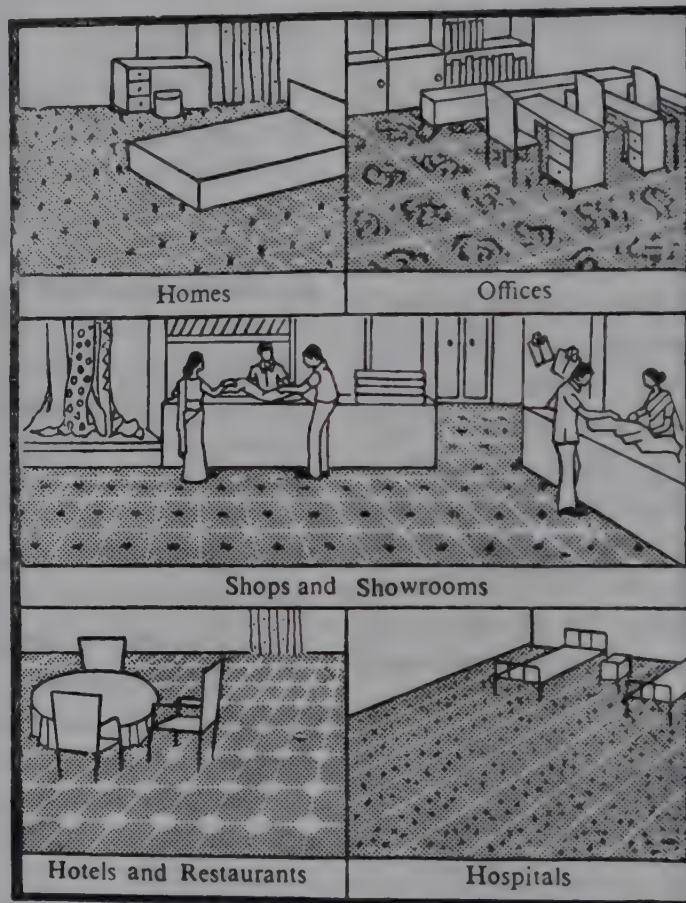
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Due to dissolution of the fifth Lok Sabha on 18-1-1977, the Convention Committee's recommendations for 1977-78 are not available to government. Consequently, the computation of dividend to general revenues has been made on the basis of the recommendations made by the Railway Convention Committee, 1973 for the year 1976-77 as approved by Parliament. The appropriation to depreciation reserve fund has been proposed at Rs 140 crores for the year 1977-78 as against Rs 135 crores made during 1976-77. This increase was fully accepted by the committee in the course of their discussions with

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the ministry. Their earlier recommendations for relief in certain specified areas requiring consultation with the concerned ministries, etc are being pursued so that the railways may obtain some desired financial relief on account of the various social obligations.

Convention Committee

In their recommendations for 1976-77, the Railway Convention Committee had, by and large, continued the earlier concessions. Additionally, they had also accepted the suggestion that the cost of staff quarters sanctioned for construction during the fifth Plan period may be allocated to capital instead of the development fund, the railways being liable for payment of dividend to general revenues on such capital only if they are able to meet their other dividend obligations in full. As it is expected that the railways will earn a net surplus during the two years 1976-77 and 1977-78, the dividend payable to general revenues includes the dividend liability in respect of the cost of staff quarters chargeable to capital in terms of the Railway Convention Committee's recommendation.

I shall now deal with the budget estimates for 1977-78. The gross traffic receipts for the year, at the existing level of rates and fares, are estimated at Rs 2091.44 crores, recording an increase of about Rs 104 crores over the revised estimate for the current year. The increase in the traffic receipts is based on an estimated six per cent growth under 'passengers' and an originating revenue-earning freight traffic target of 217 million tonnes.

The ordinary working expenses (net) have been placed

at Rs 1635.75 crores, involving increase of about Rs 87½ crores over the revised estimates for the current year. The higher provision takes into account the effect of annual increments to the staff, and full year's effect in 1977-78 of the implementation of Miabhoy Award, upgradation of posts and removal of anomalies etc. Increased provision has also been made for maintenance of track, rolling stock and other equipment, apart from additional fuel requirement to meet the demands of the higher traffic expected to be moved during 1977-78 as compared with the current year.

As mentioned earlier, increased provision has been made for appropriation to the depreciation reserve fund. Appropriation to pension fund has also been increased by Rs 5 crores over the current year to meet the expected withdrawal from the fund for payment of pension to retired pensionable railway employees. The liability for payment of dividend to general revenues for 1977-78 works out to Rs 225.56 crores, against the current year's revised estimate of Rs 211.30 crores, on the basis of the recommendations of the Railway Convention Committee, 1973.

Net Surplus

Taking into account the various provisions made in the budget for 1977-78 as presented to the House, the railways are expected to earn a net surplus of Rs 26.45 crores, and this sum is proposed to be transferred fully to the Railway Development Fund. Thus we hope to earn, for the second year in succession, a net surplus after payment of dividend to general revenues. Despite the net

surplus aggregating over Rs 62 crores expected to be realised in the two years, the railways' indebtedness to the general revenues on account of temporary loans obtained for development fund and revenue reserve fund expenditure is expected to be of the order of Rs 477.18 crores at the end of 1977-78. It may be recalled that the budget for 1976-77 envisaged the railway indebtedness as on March 31, 1977 to be Rs 491.50 crores. According to the revised estimates, this figure is expected to be reduced to Rs 461.99 crores at the end of the current year. The balance of Rs 477.18 crores as on March 31, 1978, in terms of the budget for 1977-78, is a sizable debt, and it would be our endeavour to see that it is contained within reasonable limits, if not reduced.

No Increase

In spite of the heavy indebtedness of the railways, I am not bringing forward any proposals for increase of freight rates and fares. The present freight structure is largely based on the recommendations made by a high power committee appointed in 1955. The Public Accounts Committee (1974-75) have given a recommendation in their 148th report that the railways should undertake rationalisation of the tariff. Pursuant to this recommendation the government have decided to appoint a high power expert committee to study the problem comprehensively and make suitable recommendations in the matter.

As a result of discussions held with the Planning Commission and the ministry of Finance, the Plan allocation of Rs 501 crores has been agreed to for 1977-78 to enable

the railways to provide impetus for building up the originating freight loading target 250/260 million tonnes 1978-79, the last year of fifth five-year Plan. This allocation includes Rs 10 crores for the metropolitan transport projects at Bombay, Calcutta, Delhi and Madras. In addition, a sum of Rs 2.80 crore has been provided to enable the production units of Railways to meet their working capital requirement in respect of export orders.

Electrification Project

The share of new lines and restorations is Rs 23 crores and of electrification projects Rs 19 crore. I am aware of the need for railway development, without any delay, in certain backward regions of Konkan, Orissa, Madhya Pradesh, and the eastern part of the country and other areas. I will initiate necessary steps in this connection.

The year 1975-76 witnessed normalcy in staff relations. The performance of the railways during the current year is a testimony to the high calibre of men and women employed at all levels on the railways and their unfailing commitment to the tasks assigned to them. The collective bargaining evolved on the railways over the years has to be activated and it will be a constant endeavour to seek cooperation of the trade union machinery in this task. I will strive to introduce a new element of dynamism in management—labour relationship.

Certain anomalies arising out of the implementation of the Pay Commission recommendations were referred to a joint committee of labour management and an agreement

s finally reached and is under
plementation. A number of
n-gazetted posts have been
graded on the railways to
rease promotional oppor-
nities for the staff. A tribunal
s also been set up for re-
classification of the workshop
d artisan staff, according to
e job content. I will strive to
ek the cooperation of labour
improve the results.

All the railway employees
ho were either suspended or
smissed as a sequel to their
rticipation in the railway

strike in May, 1974, will be
re-instated unconditionally.
This is in consonance with the
stand I have consistently taken
in this House in the past and
the pledge I have given to the
working class.

In this context I should like
to inform the House that
concrete steps have been taken
for labour participation in
management. Apart from shop
councils formed in the pro-
duction units with manage-
ment and labour representa-
tives, the scheme of workers'

participation has been exten-
ded to commercial and service
organisations having large
public dealings. As an experi-
mental measure, station com-
mittees have been set up in
Bombay, Madras and Delhi in
which representatives of or-
ganised labour are associated
with the objective of providing
better service to the custo-
mers.

In view of the impressive
results achieved by the rail-
ways in the current year, and
the expectation of an equally

successful next financial year,
the House will no doubt
appreciate the unstinted co-
operation and total dedication
to duty displayed by railway
employees at all levels. It is
also a matter of satisfaction
that a surplus budget could be
presented for the year 1977-78
without any increase in fares
and freight rates. I am con-
fident that the railways will
continue to get the full support
of the House, cooperation
from the public and dedicated
service from all employees.

Revenue Receipts and Expenditure of Indian Government Railways: 1977-78

(Rs thousands)

	Actuals, 1971-72	Actuals, 1972-73	Actuals, 1973-74	Actuals, 1974-75	Actuals, 1975-76	Budget Estimate, 1976-77	Revised Estimate, 1976-77	Budget Estimate, 1977-78
Capital-at-charge@	3520,99,34	3725,81,49	3893,37,58	4105,55,64	4354,78,03	4591,40,84	4605,62,92	4921,57,92
Traffic Earnings—								
(a) Coaching—								
(i) Passengers—								
Upper	39,09,06	41,38,88	43,42,13	45,33,70	53,04,21	51,10,75	54,32,07	57,62,54
Second	281,03,74	302,41,82	323,72,50	367,21,38	461,08,25	466,90,25	517,86,93	549,37,46
TOTAL PASSENGERS	320,12,80	343,80,70	367,14,63	412,55,08	514,12,46	518,01,00	572,19,00	607,00,00
(ii) Other Coaching	69,43,11	65,64,54	59,34,98	69,20,65	89,42,31	87,18,00	90,31,00	92,31,00
(b) Goods	675,29,96	620,68,47	680,40,99	917,50,63	1150,27,26	1327,63,00	1294,23,00	1362,76,00
(c) Sundry other earn- ings	36,83,72	35,59,60	40,08,65	39,01,80	50,03,55	43,00,00	52,37,00	54,37,00
TOTAL	1101,69,59	1165,73,31	1146,99,25	1438,28,16	1803,85,58	1975,82,00	2009,10,00	2116,44,00
Suspense	—5,10,23	—3,31,10	—9,10,74	—30,08,81	—36,84,94	—20,00,00	—21,55,00	—25,00,00
*Gross Traffic Receipts	1096,59,36	1162,42,21	1137,88,51	1408,19,35	1767,00,64	1955,82,00	1987,55,00	2091,44,00
Working Expenses—								
Ordinary Working Expenses—								
(i) Administration	87,64,50	91,96,74	102,29,82	129,12,69	155,89,15	158,20,72	156,68,33	157,85,80
(ii) Repairs and Maintenance	272,73,59	309,89,55	356,11,21	452,74,31	557,61,77	600,06,36	595,10,77	635,38,14
(iii) Operating Staff	175,74,97	183,48,48	205,29,91	264,90,42	312,32,66	321,95,81	319,18,35	327,74,47
(iv) Operation (Fuel)	155,92,57	162,36,64	158,88,31	197,02,02	254,52,29	282,67,27	283,41,99	313,62,35
(v) Operation other than Staff and Fuel	41,94,95	44,69,57	46,70,11	61,13,17	84,58,02	82,36,77	86,30,21	92,41,32
(vi) Miscellaneous Ex- penses	36,73,83	36,22,58	37,20,77	50,01,04	54,36,43	55,51,65	57,66,18	57,17,38
(vii) Staff Welfare	28,44,70	30,22,09	33,73,97	43,39,83	52,60,19	54,43,27	55,17,54	56,88,56
TOTAL	799,19,11	858,85,65	940,24,10	1198,33,48	1471,90,51	1565,31,85	1553,53,37	1641,08,02
Suspense	—3,87,27	—2,22,76	—4,91,17	—12,05,58	—1,73,63	—3,90,17	—5,30,33	—5,32,56
TOTAL—ORDINARY WORKING EXPENSES	795,31,84	856,62,89	935,32,93	1186,27,90	1470,16,88	1551,41,68	1548,23,04	1635,75,46
*Includes Receipts of worked lines	56,77	55,70	24,85	25,90	33,26	68,21	72,98	75,16
@Excludes Capital-at-Charge on MTP								

—Contd.

Revenue Receipts and Expenditure of Indian Government Railways : 1977-78—Contd.

	Actuals, 1971-72	Actuals, 1972-73	Actuals, 1973-74	Actuals, 1974-75	Actuals, 1975-76	Budget Estimate, 1976-77	Revised Estimate, 1976-77	Budget Estimate, 1977-78
Appropriation to Depreciation Reserve Fund	105,00,00	110,00,00	115,00,00	115,00,00	115,00,00	135,00,00	135,00,00	140,00,00
Appropriation to Pension Fund	11,38,00	15,85,00	15,85,00	15,85,00	24,25,00	29,50,00	34,40,00	39,35,00
Payment to Worked Lines—								
(a) Net earnings	13,53	12,57	13,32	13,91	17,88	15,63	18,86	19,39
(b) Rebate	1,79	1,79	1,79	1,79	1,79	1,79	1,79	1,79
Total Working Expenses	911,85,16	982,62,25	1066,33,04	1317,28,60	1609,61,55	1716,09,10	1717,83,69	1815,31,64
Net Traffic Receipts	184,74,20	179,79,96	71,55,47	90,90,75	157,39,09	239,72,90	269,71,31	276,12,30
Miscellaneous Transactions—								
(a) Receipt—								
(i) Other receipts from subsidised companies	2,68	6,63	2,65	3,00	5,84	4,07	6,72	8,82
(ii) Other Miscellaneous Receipts	34,85	28,34	27,66	31,88	54,24	23,53	44,26	25,52
(iii) Receipts from surcharge on passengers	—	—	—	6,64,90	7,89,99	8,06,07	8,89,35	9,22,84
Total Receipts	37,53	34,97	30,31	6,99,78	8,50,07	8,33,67	9,40,33	9,57,18
Expenditure—								
(i) Land	—	—	—	—	—	—	—	—
(ii) Subsidy	75	—	91	1,20	7,93	11,95	25,12	25,12
(iii) Surveys	69,72	31,70	74,99	91,94	82,71	76,98	71,16	83,07
(iv) Other Miscellaneous Expenditure	7,91,02	8,17,75	8,78,06	10,70,06	12,19,60	13,03,27	12,69,87	13,72,67
(v) Open Line works—Revenue	7,29,78	7,07,87	6,75,56	5,82,95	7,60,96	9,00,00	8,99,24	9,00,00
(vi) Appropriation to Pension Fund	12,00	15,00	15,00	15,00	25,00	50,00	60,00	65,00
(vii) Appropriation to Accident Compensation, Safety & Passenger Amenities Fund	—	—	—	6,64,90	7,89,99	8,06,07	8,89,35	9,22,84
Total Expenditure	16,03,27	15,72,32	16,44,52	24,26,05	28,86,19	31,48,27	32,14,74	33,68,70
Net Miscellaneous Receipts	—15,65,74	—15,37,35	—16,14,21	—17,26,27	—20,36,12	—23,14,60	—22,74,41	—24,11,52
Net Revenue	169,08,46	164,42,61	55,41,26	73,64,48	137,02,97	216,58,30	246,96,90	252,00,84
Payments to General Revenues—								
(i) Dividend to General Revenues								
(ii) Payment in line of passenger fare tax								
(iii) Contribution to Railway Safety Works Fund	151,24,46	161,50,58	170,91,63	187,47,21	198,14,33	207,59,82	212,29,92	225,55,65
			(155,13,30)*	(203,25,54)*				
Surplus (+) or shortfall (—) for the year	+17,84,00	+2,92,03	—115,50,37	—113,82,73	—61,11,36	+8,98,48	+35,66,98	+26,45,19
			(—99,72,04)†	(—129,61,06)†				
Operating Ratio**	83.1%	84.5%	93.7%	93.5%	91.1%	87.7%	86.4%	86.8%
Ratio of net Revenue to Capital-at-charge	4.8%	4.4%	1.4%	1.8%	3.1%	4.7%	5.4%	5.1%

*Represents actual payment of dividend to general revenues as per accounts.

**Ratio of total working expenses to gross traffic receipts.

†Includes unpaid dividend of Rs 15,78,33 thousands pertaining to 1973-74, adjusted in 1974-75.

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